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FIRST DRAFT

**NEWCASTLE
MUNICIPALITY**

INTEGRATED DEVELOPMENT PLAN 2012 TO 2016



THE OFFICE OF THE MUNICIPAL MANAGER | NEWCASTLE
MUNICIPALITY

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1 INTRODUCTION

1.1 PURPOSE

This document presents an Integrated Development Plan for Newcastle Municipality, one of the three local municipalities that make up Amajuba District. It is prepared in fulfilment of the requirements of the Municipal Systems Act, and outlines a development agenda for the municipality for the next five years.

1.2 NEWCASTLE MUNICIPALITY

Newcastle Municipality is located on the northwest corner of KwaZulu-Natal, and borders onto Free State and Mpumalanga provinces to the west and north respectively. Utrecht and Dannhauser local municipalities are located along the eastern and southern boundary. It covers an area of approximately 1854km². The boundaries were delineated in terms of the Municipal Demarcation Act, (Act No. 27 of 1998) and takes into account population movement trends, regional economic patterns and current land use pattern. As such, the boundaries are not just administrative, but are also intended to promote social and economic development while also strengthening regional economic and functional linkages.

1.3 OBJECTIVES OF THE INTEGRATED DEVELOPMENT PLAN

The Newcastle Municipality IDP adopts a long term planning horizon, but also presents a short to medium term strategic agenda and a detailed five year programme commencing in 2011/2012 financial year and ending in 2015/2016 financial year. This period coincides with the term of office of the incumbent council and aligns with the budget cycle. The IDP is prepared in accordance with the requirements of the Municipal Systems Act and the associated regulations (refer to Box 1),

Box 1: Section 25 (1) of the Municipal Systems Act (2000)

Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which-

- a) Links integrates and coordinates plans and takes into account proposals for the development of the municipality;*
- b) Aligns the resources and capacity of the municipality with the implementation of the plan;*
- c) Complies with the provisions of this Chapter; and*
- d) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.*

and is intended to serve as a strategic guide for public sector investment and development generally. It is based on the issues articulated by all stakeholders and is informed by the national and provincial development imperatives. Its objectives are as follows:

- ✓ To guide decision making in respect of service delivery and public sector investment.
- ✓ To inform budgets and service delivery programs of various government departments and service agencies.

- ✓ To coordinate the activities of various service delivery agencies within Newcastle Municipality area of jurisdiction.
- ✓ To engage communities and other key interested and affected parties in municipal affairs, particularly continuous integrated development process.
- ✓ To position the municipality to make a meaningful contribution towards meeting the district and provincial development targets and priorities.

1.4 SCOPE OF THE NEWCASTLE IDP

In line with Section 26 of the Municipal Systems Act which prescribes the key components of an IDP, and the focus on development outcomes, Newcastle Municipality IDP is presented in four main sections as follows:

- ✓ An outline of the key development issues and trends based on an analysis of the current level of development (Situational Analysis).
- ✓ A strategic framework which outlines a Council long term vision with specific emphasis on the municipality's most critical development objectives, actions plans and strategies.
- ✓ A capital program including a one year program, three year program aligned to the Medium Term Expenditure Framework and the Five (5) Year Plan.
- ✓ Implementation framework which includes sector plans particularly the financial plan, spatial development framework, organizational performance management system and an organizational transformation and institutional development plan.

The IDP will inform the Medium Term Expenditure Framework (MTEF), and guide the annual budget process. Chapter 4 Section 21 (1) of the Municipal Finance Management Act (MFMA) requires a municipality to align and sustain a close functional link between its IDP and the budget.

1.5 APPROACH

The IDP adopts an outcome based approach in line with the national government priorities and the associated 12 outcomes (refer to Box 2 below). Early in the National Cabinet adopted twelve outcome areas that collectively address the main strategic priorities of government. The strategic objective of the outcome based approach is to improve service delivery across all spheres of government and to introduce a systematic planning, monitoring and evaluation process.

High level Negotiated Service Delivery Agreements (NSDA) based on these outcomes has been concluded between the President and national ministers.

The Government outcome nine commits the Minister of Cooperative Governance and Traditional Affairs to develop a local government system which is efficient, effective, responsive and accountable. In line with Outcome 9 (refer to Box 3), Newcastle Municipality IDP responds directly to issues facing the area and its communities, render local government services efficiently and effectively.

However, the municipality will also contribute directly and indirectly to the attainment of other outcomes, particularly those dealing with economic development, infrastructure development, rural development and

environmental management. Therefore alignment with the relevant sector frameworks and programmes across the spheres of government is critical.

Box 2: 12 National Outcomes

1. an improved quality of basic education
2. a long and healthy life for all South Africans
3. all South Africans should be safe and feel safe
4. decent employment through inclusive growth
5. a skilled and capable workforce to support an inclusive growth path
6. an efficient, competitive and responsive economic infrastructure network
7. vibrant, equitable, sustainable rural communities with food security for all
8. sustainable human settlements and an improved quality of household life
9. a responsive, accountable, effective and efficient local government system
10. environmental assets and natural resources that are well protected and enhanced
11. a better Africa and a better world as a result of South Africa's contributions to global relations
12. an efficient and development-oriented public service and an empowered, fair and inclusive citizenship.

Box 3: Outputs for Outcome 9

1. Output 1: Implement a differentiated approach to municipal financing, planning and support
2. Output 2: Improving access to basic services
3. Output 3: Implementation of the Community Work Programme
4. Output 4: Actions supportive of the human settlement outcome
5. Output 5: Deepen democracy through a refined Ward Committee Model
6. Output 6: Administrative and financial capability
7. Output 7: Single window of coordination

In addition, the IDP also considers the emerging national and provincial long term strategic plans as encapsulated in the Draft National Development Plan and the Draft Provincial Growth and Development Strategy. Given its strategic location in the northern part of KwaZulu-Natal, Newcastle Municipality will make a significant contribution towards the implantation and attainment of the strategic objectives of each of these strategic plans. Again, it is critically important to ensure that the IDP aligns with these documents once they are completed.

1.6 PUBLIC PARTICIPATION

The IDP preparation process involved extensive stakeholder and public participation as required in terms of the MSA. At least four IDP Representative Forum meetings were held, each coinciding with a distinct phase in the process. In addition, several meetings were held

at ward level to establish community development needs and consult communities on municipal business generally. Budget/IDP Road shows also provided valuable input into the process. The review of the IDP over the next four years will also follow the same process.

1.7 BUDGET PROCESS PLAN FOR 2012/2013 MULTI-TERM BUDGET

The schedule below indicates the process followed towards the preparation of the IDP and its alignment with the budget.

DATE	ACTIVITY	RESPONSIBILITY
July 2011	Meeting with Mayor, Exco and Manco to discuss the strategic direction and objectives for the 2012/2013 financial year	MM/BTO
August 2011	Budget Framework Meeting the SED's to discuss budget process Preparation of budget framework to provide parameters and request budget inputs for 2012/2013	BTO
November 2011	Completion of Salary Budget	BTO/HR
November 2011	Budget strategic workshop	CFO and Mayor
December 2011	Submit all Budget related policies for review	BTO
December 2011	Prepare draft budget three year operational and capital budget	BTO
January 2012	Report back on progress with Budget inputs	BTO, MANCO
January 2012	Review of current budget and inputs for new budget	MANCO
February 2012	Submission of Budget Inputs Final date for SED's to submit departmental budget inputs. Proposed Capital projects from IDP	BTO/SED'S
February 2012	Budget discussion document Compile discussion document from inputs and submit to EXCO and MANCO	BTO
March 2012	Budget Workshop Discussion of budget inputs, link capital and operational plans to IDP and determine proposed tariffs	EXCO MANCO
March 2012	Draft Budget Submit draft multi-term operational and capital budget to Council, National and Provincial Treasury, COGTA	CFO/BTO
April 2012	Public Consultation Process Public Consultation on draft budget throughout municipality	MAYOR EXCO MM
May 2012	Respond to Public Comments Response to public comments and sector comments. Incorporate recommendations into draft budget if possible and feasible	MAYOR BTO MM
30 May 2012	Approval of Final Draft Budget Approve the draft multi-term operational and capital budget	COUNCIL
June 2012	Advertising Publication of approved budget. Place on municipal website.	MM BTO
June 2012	Submission of Budget Submit approved budget to National and Provincial Treasury and CoGTA	BTO MM
June 2012	Compile SDBIP Compilation of service delivery and budget implementation plan(SDBIP) and submit to Council for approval	PMS MAYOR MM

1.8 ALIGNMENT WITH THE DISTRICT FAMILY OF MUNICIPALITIES

Various meetings were also held with the district family of municipalities to align the IDPs. The following is an indication of some of the key alignment issues addressed to date:

- The IDPs of the Amajuba family are focusing on the outcome based IDP approach thereby incorporating the Key Performance Areas developed by national government
- Both the SONA and SOPA have been incorporated into the IDPs
- The Outcome 9 has been incorporated into the IDPs there by giving emphasis to good governance and housing development (Outcome 8).
- The revised Municipal Turnaround Strategies have also been incorporated giving the emphasis on thorny issues which municipalities needed to improve service delivery.
- The PGDS has been incorporated as part of improving the alignment between the province and local government
- The IDPs have given emphasis on Sukuma Sakhe Program and its associated impact to communities. Fighting poverty through job creation
- The issues raised at COP 17 have also been incorporated. These include the implementation of solar energies and smart and conventional meters on new housing development
- The new settlement patterns will consider flood lines and implementation of disaster management centres.

2 STATUS QUO ANALYSIS

Future development within NLM should respond directly to the development trends, patterns, needs and aspirations of those who live and/or work within the area. It must be relevant to the local context while also contributing to the attainment of the provincial and national development imperatives. This section provides a detailed analysis of the current development situation within the NLM. It is structured substantially in accordance with the Key Performance Areas (KPA), but also considers issues that are pertinent to Newcastle Municipality. The national KPA's are as follows:

- ✓ Social and economic development.
- ✓ Infrastructure development.
- ✓ Institutional development and corporate governance
- ✓ Financial management
- ✓ Democracy and good governance.

An additional key performance area dealing with spatial planning and the environment has also been included. This section concludes with a set of key development issues.

2.1 SOCIO-ECONOMIC PROFILE

2.1.1 DEMOGRAPHIC PROFILE

2.1.1.1 POPULATION SIZE AND GROWTH PATTERNS

The official government figures reflected in the 2007 Community Survey estimates the total population of the NLM to 327 637 people. This marks a net decline of about 5 343 people from 332 980 people recorded in the 2001 census. Global insights (2008) have estimated the total population to be 364244 people, which marks a net increase from the 2001 census figures. As indicated in table 1 below, 70% of Amajuba District Municipality population is found in Newcastle Municipality.

Table 1: Population Size – Amajuba District and Newcastle Municipality

YEAR	AMAJUBA DISTRICT	NEWCASTLE MUNICIPALITY
Total population: 2001	468 037	332 352
Total population: 2005	491 102	353 618
Total population: 2007 (Global Insight 2007)	497 617	361 134
Total population: 2007 (Community Survey, 2007)	442 266	327 637
Number of Households: 2005	96 846	72 089
Number of Households 2007 (Global Insight 2007)	108 595	82 938
Number of Households: 2007 (Community Survey, 2007)	77 786	101 045
Average household size: 2005	5.1	4.9

YEAR	AMAJUBA DISTRICT	NEWCASTLE MUNICIPALITY
Average household size: 2007 (Global Insight 2007)	4.6	4.3
Average household size: 2007 (Community Survey, 2007)	4.4	4.2
Percentage growth per annum	1.21	1.33

Source: Census 2001, Community Survey 2007, Global Insight 2007, Amajuba IDP (2010/2011)

Despite the vagueness in population figures, it is certain that the area has experienced net population increase since 2001. The 2010/2011 IDP Review report estimates this to be in the region of 3.5% or 1.33% per annum (refer to Table 1 above). The majority of this growth has occurred in the eastern areas – around Madadeni and Osizweni Townships. Current population movement patterns in the region suggest that the urbanisation phenomenon continues with factors such as natural growth rate, breakdown in extended families and in-migration being the main drivers. In-migration arises mainly from perceived urban opportunities and prospects for a better life, poor access to services and lack of employment opportunities in the rural hinterland and general decline in employment opportunities in the agricultural sector. Over the last ten years, Newcastle agricultural regional has registered a net decline in both production and employment opportunities.

2.1.1.2 AGE STRUCTURE OF THE POPULATION

Newcastle population is relatively young with 43% of the population being younger than 19 years of age, while the age group between 20 and 34 years accounts for 27% of the population. This puts pressure on the provision of educational facilities, social welfare, health services and the stimulation of the economy to provide job opportunities and economic development. In-migration of the youth and economically active population implies an increasing need for recreation, educational facilities and employment opportunities.

2.1.1.3 GENDER COMPOSITION OF THE POPULATION

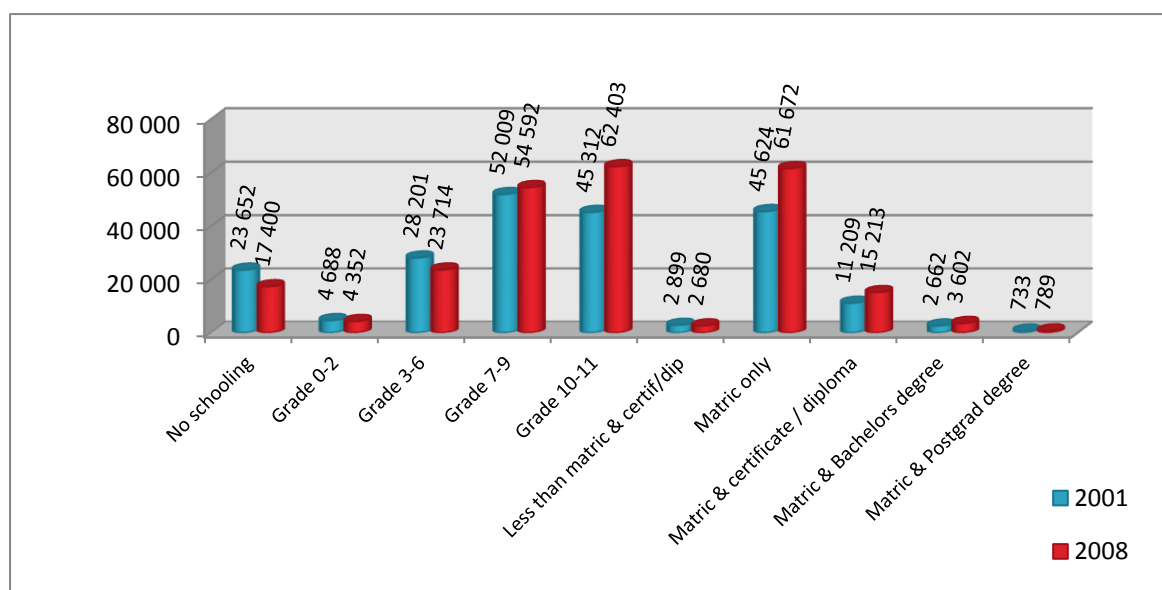
53% of the population is female while males account for the remaining 47%. This gender distribution conforms to the National norm. Thus the need for programmes specifically targeted to gender equity is critical. In response to this, the Newcastle Municipality has prioritized Gender issues as part of its Special Programmes. Specific projects and programmes aligned to the National Program should be developed and rolled out in line with the municipal program of action.

2.1.2 EDUCATION PROFILE

Education profile of the population shows significant improvement since 2001. The number of people who do not have any formal education declined from 23652 in 2001 down to

17400 in 2008. This was coupled by a substantial increase in the number of people with secondary education. The majority of the population has secondary education (grade 7 to grade 11) and those who have completed matriculation. However, a low representation of people with tertiary qualifications is worrisome. The number decreases substantially from 15213 of those who have metric and a diploma down to 789 who have post-graduate degree (refer to figure 1). This phenomenon could be attributed to the general lack of tertiary institutions and employment opportunities in the area. It limits the ability of the area to attract and keep highly qualified people.

Figure 1: Education Level



Source: Global Insight 2008

According to the Department of education, pass rate in grade 12 has improved steadily from 59.6% in 2007 to 76.3% in 2010. 3072 students wrote metric exam in 2010. Overall, the education profile of the community has improved.

2.1.3 INCOME PROFILE

Newcastle Municipality has a generally low income population with a large number of people (20 003) living in abject income poverty as they do not have a reliable source of income. 28% of households do not have income while 29% earn less than R800 per month. Essentially, more than half of the population could be described as indigent.

Table 2: Household Income

INDIVIDUAL MONTHLY INCOME: PERSONS	2007	2001
None	5 076 097	7 001 831
R1 – 400	1 852 232	548 744
R401 – 800	506 078	851 506
R801 – 1600	1 199 727	393 905

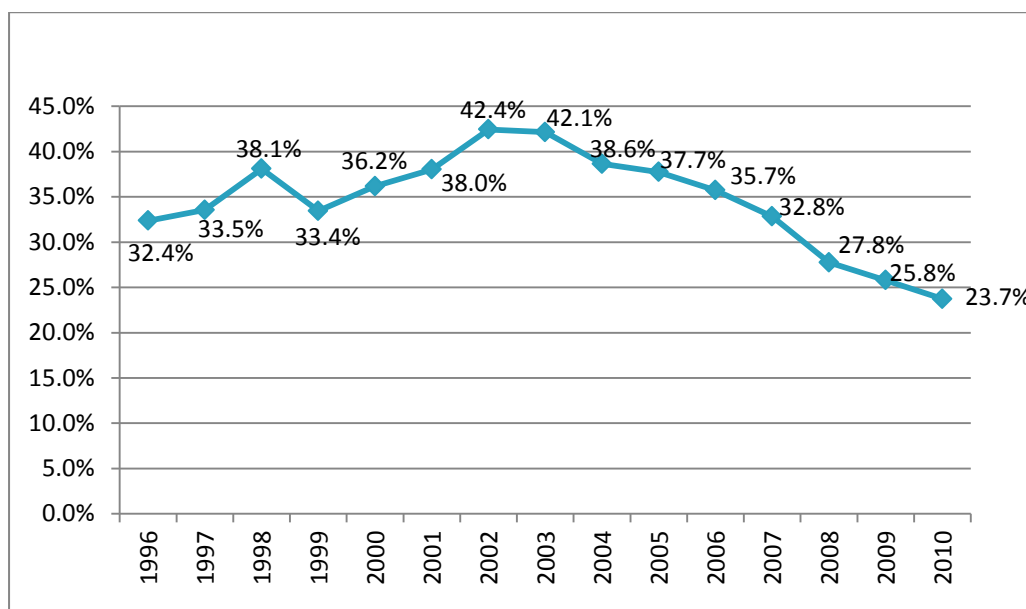
INDIVIDUAL MONTHLY INCOME: PERSONS	2007	2001
R1601 – 3200	370 084	346 716
R3201 – 6400	307 417	253 475
R6401 – 12800	236 783	122 773
R12801 – 25600	82 566	39 314
R25601 – 51200	34 672	12 588
R51201 – 102400	9 379	6 263
R102401 – 204800	9 841	5 424
Over R204801	4 020	1 589
Total Individual Income (pm)	R 13 145 442 400	R 7 365 680 400
Total Individual Income (pa)	R 157 745 308 800	R 88 388 164 800

Source: Provincial Treasury, 2011

As indicated table 2 above, the level of representation drops sharply as income brackets increases. As a result, affordability level is generally low while dependency on social grants is high. 22000 people applied to be registered on the indigent list for the municipality in 2010. Meanwhile, annual personal income (for those who earn income), has increased steadily between 1996 and 2008. This could be ascribed to inflation rather than real increases in income.

2.1.4 EMPLOYMENT PROFILE

Figure 2: Employment Profile

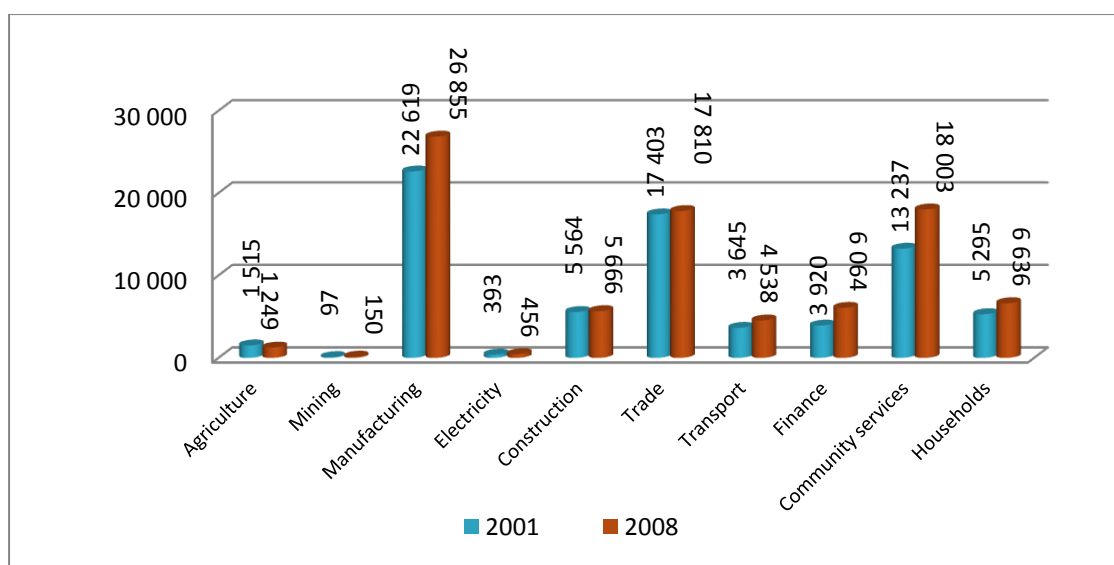


Source: Provincial Treasury

Although unemployment rate has declined over the last 15 years, unemployment remains one of the critical issues facing Newcastle Municipality. In 1996, 32.4% of the potential

labour force was officially unemployed. This figure increased to 42.4% in 2002, but came down again to 23% in 2010 (refer to Figure 2). As indicated in figure 3 below, the manufacturing sector employs the majority of people and includes the formal and informal sector. This is followed by community services and trade. The highest labour remuneration is found in metal products, machinery and household appliances, textiles, clothing and leather goods and is followed by remuneration for the education sector and health and social work.

Figure 3: Employment by Sector



Source: Global Insight

Nevertheless, a still relatively high unemployment rate could be ascribed to a number of factors including the following:

- ✓ a high rate of functional illiteracy;
- ✓ decline and closure of coal mines in the 1980 to the 1990;
- ✓ economic downturn which grossly affected the textile industry;
- ✓ downsizing of ISCOR in the Newcastle area; and
- ✓ rationalisation of production in the agricultural sector.

2.1.5 HUMAN DEVELOPMENT INDEX

The Human Development Index (HDI) for Newcastle has improved significantly since 1996 (refer to table 3). This is symbolised by the net decrease in representation of people living in poverty from 45% in 1996 and 2001 down to 39% in 2007. This is however, below the provincial average of 33% in urban areas.

Table 2: Social Development and People In Poverty

	PERCENTAGE OF PEOPLE IN POVERTY			HUMAN DEVELOPMENT INDEX (HDI)			UNEMPLOYMENT RATE OFFICIAL DEFINITION (%)		
	1996	2001	2007	1996	2001	2007	1996	2001	2007
Newcastle	45%	45%	39%	0.54	0.57	0.57	20%	25%	22%
Urban KZN	37%	39%	33%	0.58	0.60	0.60	17%	22%	20%
Rural KZN	55%	68%	63%	0.45	0.49	0.50	24%	35%	31%

Source: Urbanization Paper, Clive Coetzee, 2009

Most of the poverty-stricken households of Newcastle are located in the East as well as the Traditional Authority areas. The urbanized population is generally better off than the rural communities affordability levels are significantly low and access to basic services is a major challenge. The provision of sustainable basic and essential services to these communities is to be one of the greatest challenges of the Newcastle Municipality and innovative service delivery options is encouraged.

2.1.6 GENERAL ACCESS TO BASIC SERVICES

The Community Survey 2007 indentifies Newcastle as an area with relatively good access to basic services. Table 4 below, indicates the levels of access to basic services such as sanitation, water, electricity and refuse removal. 81.5% of the population has electricity for lighting, 88% has access to piped water, and 73% receives monthly refuse collection service.

Table 3: Basic Services

ACCESS TO ELECTRICITY		ACCESS TO SANITATION	
Lighting	81.5%	Pit latrine	26.4%
Cooking	73.9%	Bucket	0.4%
Heating	59.3%	No toilet	2.6%
REFUSE REMOVAL		ACCESS TO WATER	
No refuse removal	3.6%	Access to piped water	88%
Removed by local authority	73.5%		

Source: Community Survey 2007

However, the standard and level of service differ significantly among areas reflecting the impact of the past apartheid policies. The JBC area and the surrounding settlements are characterised by severe service backlogs and underdevelopment. Table 5 below indicated a summary of service backlogs for 2010.

Table 4: Access to water, Sanitation and Electricity

ACCESS TO BASIC SERVICES			
Water	26%	Refuse removal	25.6%
Sanitation	27.3%	Roads	58.8% (unpaved in poor condition)
Electricity	11.3%		

Source: Newcastle IDP (2010/2011)

2.1.7 ACCESS TO WATER

Water supply infrastructure in Newcastle Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. Newcastle town is generally well provided with water while a few households in Madadeni and Osizweni Townships are experiencing shortage in this regard. Severe backlogs have been reported in rural wards where the level of backlog is as high as 98% in communities within ward 12 (refer to Table 6 below).

Table 5: Water Backlogs

WARD NO.	URBAN/RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	WATER (BACKLOGS 2010)	WITH WATER	BACKLOG WATER
1	Rural	4 585	32 097	51%	2247	2338
2	Urban	3 614	18 072	2%	3542	72
3	Urban	2 827	14 133	2%	2770	57
4	Urban	3 054	15 271	3%	2962	92
5	Urban	3 188	15 939	2%	3124	64
6	Rural	4 090	28 630	65%	1432	2659
7	Urban	3 876	19 380	53%	1822	2054
8	Urban	2 313	11 564	2%	2267	46
9	Urban	3 797	18 985	24%	2886	911
10	Urban	3 345	16 723	1%	3312	33
11	Urban	3 237	16 184	13%	2816	421
12	Rural	2 603	18 222	98%	52	2551
13	Urban	2 373	11 864	5%	2254	119
14	Urban	4 308	21 541	33%	2886	1422
15	Rural	3 083	21 580	80%	617	2466
16	Rural	2 936	20 550	89%	323	2613
17	Urban	2 925	14 624	2%	2867	59
18	Rural	3 864	27 047	48%	2009	1855
19	Urban	2 692	13 459	14%	2315	377
20	Urban	2 983	14 917	21%	2357	626
21	Urban	2 941	14 706	13%	2559	382
22	Urban	2 513	12 566	2%	2463	50
23	Urban	2 655	13 275	1%	2628	27
24	Urban	2 932	14 658	34%	1935	997
25	Urban	3 084	15 421	8%	2837	247
26	Urban	2 594	12 968	1%	2568	26

WARD NO.	URBAN/ RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	WATER (BACKLOGS 2010)	WITH WATER	BACKLOG WATER
27	Urban	2 900	14 501	5%	2755	145
28	Urban	2 671	13 356	2%	2618	53
29	Urban	3 185	15 925	22%	2484	701
30	Urban	2 696	13 479	2%	2642	54
31	Rural	3 941	27 590	41%	2325	1616
TOTALS		97 805	539 227	24%	72 673	25 132

Source: NLM EMF Status Quo Report

The Newcastle Municipality, in line with National policy on FBW, makes budgetary provision of 6kl per household for indigent families, funded through the Equitable Share. The recently updated Water Services Development Plan (WSDP) indicates that there has been a reduction of 18% in water backlogs between the 2002 and 2010 with an existing water service backlog of 11%.

2.1.8 ACCESS TO SANITATION

Similarly, the peri-urban and rural areas with the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place. The residents rely on over 15 000 ventilated improved pit (VIP) latrines. Most of the VIPs are full and the Municipality spends about R1,0 million every month in de-sludging the VIPs. Plans are underway to formalize Blaawbosch and considerable sewage flows are expected.

Table 6: Sanitation Backlogs

WARD NO.	URBAN / RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	SANITATION BACKLOGS 2010	WITH SANITATION	BACKLOG SANITATION	FLUSH TOILETS	VIP TOILETS
1	Rural	4 585	32 097	57%	1 972	2613	0	1 972
2	Urban	3 614	18 072	1%	3 578	36	3 614	0
3	Urban	2 827	14 133	3%	2 742	85	2 827	0
4	Urban	3 054	15 271	1%	3 023	31	3 054	0
5	Urban	3 188	15 939	1%	3 156	32	3 188	0
6	Rural	4 090	28 630	86%	573	3517	0	573
7	Urban	3 876	19 380	61%	1 512	2364	0	1 512
8	Urban	2 313	11 564	3%	2 244	69	2 313	0
9	Urban	3 797	18 985	36%	2 430	1367	0	2 430
10	Urban	3 345	16 723	2%	3 278	67	1 000	0
11	Urban	3 237	16 184	3%	3 140	97	0	3 140
12	Rural	2 603	18 222	92%	208	2395	0	208
13	Urban	2 373	11 864	11%	2 112	261	0	2 112
14	Urban	4 308	21 541	14%	3 705	603	0	3 705
15	Rural	3 083	21 580	86%	432	2651	0	432

WARD NO.	URBAN / RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	SANITATION BACKLOGS 2010	WITH SANITATION	BACKLOG SANITATION	FLUSH TOILETS	VIP TOILETS
16	Rural	2 936	20 550	76%	705	2231	0	705
17	Urban	2 925	14 624	1%	2 896	29	2 925	0
18	Rural	3 864	27 047	59%	1 584	2280	0	1 584
19	Urban	2 692	13 459	1%	2 665	27	2 692	0
20	Urban	2 983	14 917	30%	2 088	895	2 983	0
21	Urban	2 941	14 706	13%	2 559	382	2 941	0
22	Urban	2 513	12 566	1%	2 488	25	2 513	0
23	Urban	2 655	13 275	1%	2 628	27	2 655	0
24	Urban	2 932	14 658	17%	2 434	498	2 932	0
25	Urban	3 084	15 421	14%	2 652	432	3 084	0
26	Urban	2 594	12 968	2%	2 542	52	2 594	0
27	Urban	2 900	14 501	1%	2 871	29	2 900	0
28	Urban	2 671	13 356	0%	2 671	0	2 671	0
29	Urban	3 185	15 925	1%	3 153	32	1 500	0
30	Urban	2 696	13 479	1%	2 669	27	2 696	0
31	Rural	3 941	27 590	46%	2 128	1813	0	2 128
TOTALS		97 805	539 227	23%	72 837	24 968	51 082	20 499

2.1.9 ACCESS TO ELECTRICITY

An electricity backlog of 11,3% is estimated for 2012. With the split in the license areas between the municipality and), a partnership has been entered into between ESKOM and the Department of Energy to address backlog holistically and accordingly meet the national targets. This will also be rolled out simultaneously with housing projects. A further concern is the impact that the transfer to RED's will have on financial viability of the Newcastle Municipality.

2.2 INFRASTRUCTURE ASSESSMENT

The NLM is one of a few local municipalities that are having the responsibility to plan, provide and regulate infrastructure development throughout its area of jurisdiction. This includes both bulk infrastructure development and reticulation.

2.2.1 WATER

2.2.1.1 PLANNING FOR WATER SERVICES DELIVERY

Although the NLM developed and adopted a Water Services Development Plan (WSDP) in 2009, planning for water infrastructure development has largely been project based and *ad hoc*. The WSDP and various other strategic documents identify a number of critical issues. These range from issues of service backlog through the capacity of the existing

infrastructure to the sustainability of the infrastructure into the future. Critical issues that require attention in this regard include the following:

- ✓ Preparation of a long term plan to guide investment in water infrastructure in the short to long term.
- ✓ Maintenance of the existing infrastructure.
- ✓ Funding for maintenance and new water infrastructure projects.

2.2.1.2 RAW WATER SOURCES

The supply of raw water within the NLM is as follows:

- ✚ the Buffalo River Abstraction Works through a 32km long 800mm diameter steel pipe to the Ngagane Water Purification Works. The average supply is 10 MI/day;
- ✚ the Ngagane River Abstraction Works through a 1.5km long 600mm concrete lined steel pipe, which supplies an average of 20 MI/day and;
- ✚ the Ntshingwayo Dam through two pipes, an 800 mm concrete pipe 18km long and 700mm diameter steel pipe, 13km long, both supply a combined total of 92 MI/day.

Ntshingwayo Dam situated on the Ngagane River has a storage capacity of 194million m³. The dam was raised during 1982 and cannot be augmented further to increase the system yield. An excess firm yield of 21 million m³/a (57MI/d) is available at Ntshingwayo Dam for further allocation to Newcastle which should be sufficient until 2017 at the present demand without any water conservation and water demand management initiatives being implemented. If these initiatives are implemented, this horizon could extend to 2023.

However, the current available yield from the Ntshingwayo Dam is not sufficient to support a major irrigation-based agricultural development. As such, water augmentation in the upper Buffalo system would be required in the time horizon 2015-2025 without any agricultural development because of the domestic and industrial demand growth in Newcastle. Therefore, the proposed Ncandu River Dam is not just the only viable option for increasing the system yield in order to support agricultural development, but it is also the only viable option to ensure continued economic growth for the Newcastle industrial and commercial sector beyond 2015-2015.

Table 8 below, indicate the expected peak demand for the next 25 years with the expected shortfalls.

Table 7: Demand Forecast

Year	Peak demand (MI/day)	Supply		Buffalo river	Total	Surplus (shortage) (MI/day)
		Ntshingwayo Dam	Ngagane river			
2011	104	70	18	15	103	(1MI/day)
2014	128	70	18	15	103	(25MI/day)
2020	153	70	18	15	103	(50MI/day)
2025	167	70	18	15	103	(64MI/day)
2030	190	70	18	15	103	(87MI/day)
2035	213	70	18	15	103	(110MI/day)

From the above table it is evident that the bulk raw water supply is creating a bottleneck resulting in the plant not being able to meet the demand. Noting that the installation of a new supply line will take at least 3 years at which time the expected shortfall will be in the order of 25MI/day, it is evident that the situation is serious. This could be a conservative figure as the supply line to Utrecht is completed; new bulk infrastructure is being provided to supply water to a planned development called Viljoen Park; the Stafford Hill area comprising of 8000 households is to be provided with water borne sanitation and plans are being finalised to commence a 3 phased high density development for JBC.

2.2.1.3 POTABLE WATER TREATMENT FACILITIES

The town of Newcastle has three WTWs with two plants having recently been decommissioned. The Ngagane WTW is the only plant that is currently operational, and which is supplying treated water to the area. The Ngagane Water Treatment Works is located next to the Ngagane River on the south-eastern side of Newcastle and is operated by uThukela Water (Pty) Ltd on behalf of Newcastle Municipality. The total peak hydraulic design capacity of the Ngagane WTW is 105 MI/d. The average annual flow rate of the WTW is estimated to be 103.3 MI/d.

The average annual capacity of the water treatment works is not sufficient to meet the future (from 2012) water requirements. An overall score of 95% is required to achieve a blue drop status. UThukela Water has achieved a score of 97% during 2010.

2.2.1.4 WATER SUPPLY AND RETICULATION

Six pumping mains supply purified water to two bulk storage reservoirs, the Braakfontein and Hilddrop reservoirs. A combination of a 600mm diameter steel pipe, 375mm diameter asbestos cement pipe and 600 mm diameter GRP pipe supply the 78 MI Braakfontein reservoirs. The 29 MI Hilddrop Reservoirs are supplied through a 700mm steel pipe and

375mm asbestos cement pipe. Water from the Braakfontein reservoirs then feeds the following;

- Stafford Hill and Madadeni through a combination of various pipe sizes ranging from 800mm diameter to 200mm diameter
- 6 MI Blaawbosch reservoir that in turn feeds Blaawbosch
- The Waterval Reservoir and Ngagane
- Osizweni Township through a 3.85km long 450mm diameter AC pipe. The pipeline splits into two lines, one serves the 6MI reservoir at Blaawbosch and the other serves the 2MI tower at Osizweni.

The Hilldrop reservoirs feed the Newcastle CBD, the suburbs and industrial areas. The JBO Node is fed from the Braakfontein reservoirs. The average consumption for the whole of Newcastle is estimated at 75MI/day. The consumption figures from the Braakfontein reservoirs are about 46 MI/day. The Braakfontein reservoirs therefore have adequate capacity for future expansion. The total unaccounted for water is very high and averages about 36%. Once this is addressed, additional capacity can be realized.

The increase in demand for the townships of Madadeni, Osizweni, Stafford Hill and Blaawbosch including the Newcastle West area is necessitating the need for an additional 20MI reservoir at the Hill drop reservoir site including an additional 45MI reservoir for the Braakfontein reservoir site.

2.2.1.5 THE CONDITION OF WATER INFRASTRUCTURE

The infrastructure in Newcastle East is in a fairly good condition which is more than what can be said about the condition of water infrastructure in the Newcastle West area which is mainly the CBD and surrounding suburbs. The area has aging asbestos networks which are resulting in high maintenance costs. The estimated capital investment required for this is in the order of R500 million rand. Investigations also need to be carried out in how to improve the pressure management in the Harbour Park, Lennoxton areas where low pressures are being experienced.

A new pumping main from Ngagane Plant to Braakfontein Reservoirs is needed. The existing two lines do have sufficient capacity for the medium term but require maintenance and to decommission one line to carry out repairs will result in inadequate supply owing to the insufficient storage capacity at Braakfontein reservoirs.

2.2.1.6 WATER LOSSES

A preliminary assessment of the level of water use efficiency and the level of Non-Revenue Water (NRW) in the Newcastle Water Supply Scheme area indicated that the total system

losses are high. It was estimated that the total Non Revenue Water (NRW) in the supply area is a staggering 65%. The main areas of concern are Madadeni and Osizweni where water losses mainly from onsite leaks are resulting in losses of at least 26Ml/day. The average consumption per household in Madadeni is 44.6kl per month with almost zero payment and no credit control interventions. The situation is not any different in Osizweni where the total number of households is in the order of 27,200. An amount of R24 million has been approved by MIG to reduce the non revenue water in Madadeni although a R150 million will be required to complete the programme. The programme will include the repair of private leaks and install flow regulators to each household in Madadeni and Osizweni thereby creating an additional 26Ml per day allowing a window period for the construction of the raw water supply line from Ntsingwayo dam to the Ngagane WTW and simultaneously increasing the capacity of the Ngagane WTW's. Without these interventions there will be insufficient water to supply for any new developments.

2.2.2 SANITATION INFRASTRUCTURE

NLM face a number of challenges with regard to sanitation. One of the main problems is the need for a sewer master plan, which will enable the municipality to plan for future developments including addressing the backlogs in basic sanitation services. Other areas of concern are the lack of adequate sewer systems for 13 481 households that do not have waterborne sanitation. This need is especially evident in the MBO area.

2.2.2.1 CONDITION OF EXISTING INFRASTRUCTURE

The absence of a Sewer Master plan does not allow for effective forward planning with regards to the impact of new developments and future areas to be provided with water borne sanitation. The new areas to be developed include Blaawbosch and Viljoen Park. Stafford Hill has been provided with sewer reticulation where 8,000 existing VIP toilets are to be converted to flush toilets. Madadeni has water borne sanitation for all 15,000 households although the structures of 5,000 households are dilapidated and flush into the old conservancy tank system with the overflow of the tank connected to the sewer connection. In many cases the contents of the tank is exposed and a health hazard. The existing networks are in a fairly good condition with infiltration into the groundwater not seen as a problem.

The reticulation in the higher income areas such as Aviary Hill is operating at full capacity as the density of the area increases, exceeding the maximum design flows of the networks. Investigations revealed that there were two properties in Lennoxton being serviced by the old bucket system. Septic tanks have since been provided for these properties.

2.2.2.2 WASTE WATER TREATMENT WORKS

The waste water and sewage from the Newcastle Municipality is currently treated at three major plants;

- ✓ **Newcastle (KwaMathukuza) Waste Water Treatment Plant:** The works currently serves the Newcastle Central Business District, the industrial and surrounding areas. The works has a design capacity of 25 MI/day and is currently running at 20 MI/day Average Dry Weather Flow. The Works have a spare capacity of 5 MI/day and will serve future housing developments at Viljoen Park and Tuam Farm.
- ✓ **Osizweni Waste Water Treatment Plant:** The Works' catchment is the greater Osizweni Township and the surroundings. The current capacity of the Works is 14 MI/day and the current hydraulic loading is 15 MI/day. The Works is currently running at capacity in terms of hydraulic loading, but the biological loading is below design capacity.
- ✓ **Madadeni Waste Water Treatment Works:** The catchment area for Madadeni WWTW is the Madadeni Township, Ithala Industrial area, and the surrounding areas.

The design hydraulic loading is 12 MI/day. The Works are currently operating at 15MI/day. However, during the wet season, the flows peak at between 25MI/day to 30MI/day due to high infiltration. Plans are underway to increase the hydraulic capacity to 35MI/day. The project is scheduled for 2010. It is envisaged that future flows from Blaawbosch, Johnstown and Cavan will be directed to Madadeni WWTW.

2.2.3 ELECTRICITY AND POWER SUPPLY

2.2.3.1 ENERGY SOURCES

Eskom supplies in the order of 125,000 KVA per month. An alternative energy source is provided by International Power South Africa (IPSA) from gas turbines. IPSA has resumed operations at its cogeneration plant at Newcastle. The 18MW combined heat and power plant is now supplying electricity to the national grid under a medium-term power purchase agreement with Eskom dated 26 August 2010. IPSA has successfully restarted operations at its cogeneration plant at Newcastle, following a final agreement on a gas supply contract with Spring Lights Gas. According to ESKOM, there is limited capacity in the Newcastle East to accommodate the planned housing and commercial development.

2.2.3.2 RETICULATION

The municipality manages the electricity networks for the Newcastle West area (the CBD and surrounding suburbs). The outlying townships and rural areas are supplied by Eskom.

The electricity backlog in NLM is estimated at 11.3%. In terms of electricity issues, the need to investigate pre-paid electricity in Newcastle license area is highlighted. Electricity metering and billing also needs to be addressed and is a priority for the municipality, as this will ensure the accuracy of consumer accounts. There is no electricity master plan and therefore long term planning is not in place from a capacity point of view. Electricity losses are currently estimated at 9%.

2.2.3.3 FREE BASIC ELECTRICITY

Another challenge is the roll out of Free Basic Electricity within the ESKOM license area, which is problematic due to systems compatibility with both electricity providers. Further to this, maintenance, upgrade and rehabilitation of electricity infrastructure through the ring-fencing of the function for the transfer to RED's, is identified as an important issue.

In an attempt to address electricity backlogs, there are a number of ongoing electrification projects in the municipality. There are also a number of housing development projects where the project is implemented by the local municipality but are situated in the ESKOM area of supply. As such, close coordination and cooperation between these two entities are required.

2.2.4 ROADS, STORMWATER AND PUBLIC TRANSPORT

2.2.4.1 ROADS

In terms of road infrastructure, 91% of all roads in Newcastle are in a poor state, of which 732km are unpaved. In an attempt to address this, the municipality has intensified their roads programs over the past 5 years, which addresses primary and secondary roads. The IDP also indicates that the operational budget has significantly increased during this time to ensure minor maintenance through grading and storm-water clearance. A total ofkms was upgraded over the last five years. The MBO is a priority area for road upgrading.

2.2.4.2 STORMWATER

There is no storm water master plan resulting in *ad hoc* projects being identified where complaints are received. Problems are being experienced in the CBD area where concrete pipes are collapsing owing to fatigue from heavy traffic loads. Arbor Park has been identified as a problem area as flooding of private property is occurring at various low points. Magnolia Street has insufficient storm water infrastructure and also has been identified as a priority. Storm water damage to the environment is receiving little attention with soil erosion progressing unabated in certain area. Similarly, MBO has been identified as a priority for storm water development and upgrading given the lack of service in this area.

2.2.4.3 PUBLIC TRANSPORT

The majority of public transport facilities in the Newcastle Municipality area is informal and requires serious upgrading. Table 9 below provides a summary of the state of the existing public transport facilities audited in Newcastle.

Table 8: Public Transport Infrastructure

FACILITY NAME – TAXI RANKS.	STATUS	OWNERSHIP	LOCATION
Osizweni Formal Taxi Rank	Formal	Municipal	Off Street
Makhanya Informal Taxi Rank	Informal	Municipal	On street
Top Rank Informal Taxi Rank	Informal	Municipal	On street
9 Mile Informal Taxi Rank	Informal	Municipal	Off Street
Moyomuhle Informal Taxi Rank	Informal	Municipal	Off Street
Madadeni Sec 4&5 Informal Taxi Rank	Informal	Municipal	Off Street
Madadeni Shoprite Checkers Informal Taxi Rank	Formal	Municipal	Off Street
Madadeni Court Informal Taxi Rank	Informal	Municipal	Off Street
Newcastle Formal Taxi Rank	Formal	Municipal	Off Street
Charlestown Informal Minibus-Taxi Rank	Informal	Municipal	Off Street
Ingogo Informal Minibus-Taxi Rank	Informal	Municipal	Off Street
Macadam Informal Bus Rank	Informal	Municipal	Off Street
Newcastle Formal Bus Rank	Formal	Municipal	Off Street

57% (203,9km) of roads in Newcastle being utilised by the public transport industry is unsurfaced.

The highest number of vehicles in Amajuba is on the N11 south of Newcastle with high traffic volumes on the main provincial road P483 between Newcastle, Madadeni and Osizweni. The N11 between the P204 (turn-off to Dannhauser) and Newcastle carries in excess of 10 000 vehicles per day while the P483 carries between 5 000 and 10 000 vehicles per day. Specific recommendations regarding upgrading of facilities, development of transport corridors etc. to meet the demand of public transport is highlighted in the PTP.

2.2.5 WASTE REMOVAL AND MANAGEMENT

2.2.5.1 LANDFILL SITE

The refuse removal service caters for Newcastle West and Madadeni/Osizweni area. There is however a backlog of 25,6% affecting mainly the informal and rural settlements. According to Amajuba Integrated Waste Management Plan (IWMP) Newcastle west and Newcastle east produces generates about 113 tons and 87.9 tons per day, and this is projected to increase to 123.9 tons and 97 tons per day in 2015 respectively. The projected growth is linked to projected population growth, and emphasises a need for environmentally friendly waste management practices. The municipality has initiated a

process towards the identification and establishment of a new landfill site, whilst simultaneously addressing the closure and rehabilitation of the existing site. An amount of R15m was set aside in the 2010/11 financial year, with a further R60m required in the next two financial years.

2.2.5.2 ILLEGAL DUMPING

The result of illegal dumping affects the other service sectors, as the illegally dumped waste blocks up storm water drains/manholes, which in turn results in damages to road infrastructure as water builds up at low points and causes flooding. The existing vehicle fleet managing waste of the municipality is satisfactory except for the vehicle used for the clearing of illegal waste which is old and has high maintenance costs. There is a need for law enforcement with regards to the illegal dumping and enforcement of bylaws.

2.3 SOCIAL FACILITIES

2.3.1 EDUCATION INSTITUTIONS

Access to education facilities seems to be generally good. The municipality is developed with about 118 schools including both primary and secondary schools. This can be broken down further as follows:

- ✓ 10 combined schools;
- ✓ 12 junior primary schools;
- ✓ 7 senior primary schools;
- ✓ 55 primary schools;
- ✓ 34 secondary schools.

The average size of schools, taking into consideration the amount of the population of a school going age, is 995. Planning standards for education facilities reveal that in terms of threshold, NLM should have between 90 and 120 primary schools to accommodate the population size. There is thus a need for additional primary schools.

Table 10: Planning standards for educational facilities

Facility	Catchment population	Distance & Walking time	Location factors	Teacher/children ratio
Primary schools	3 000-4000	1.5km of 30min	Walking distance-1.5km	1:40
Secondary schools	6 000-10 000	5km	Located on public transport route	1:40

Source: Provincial Planning & Development Commission

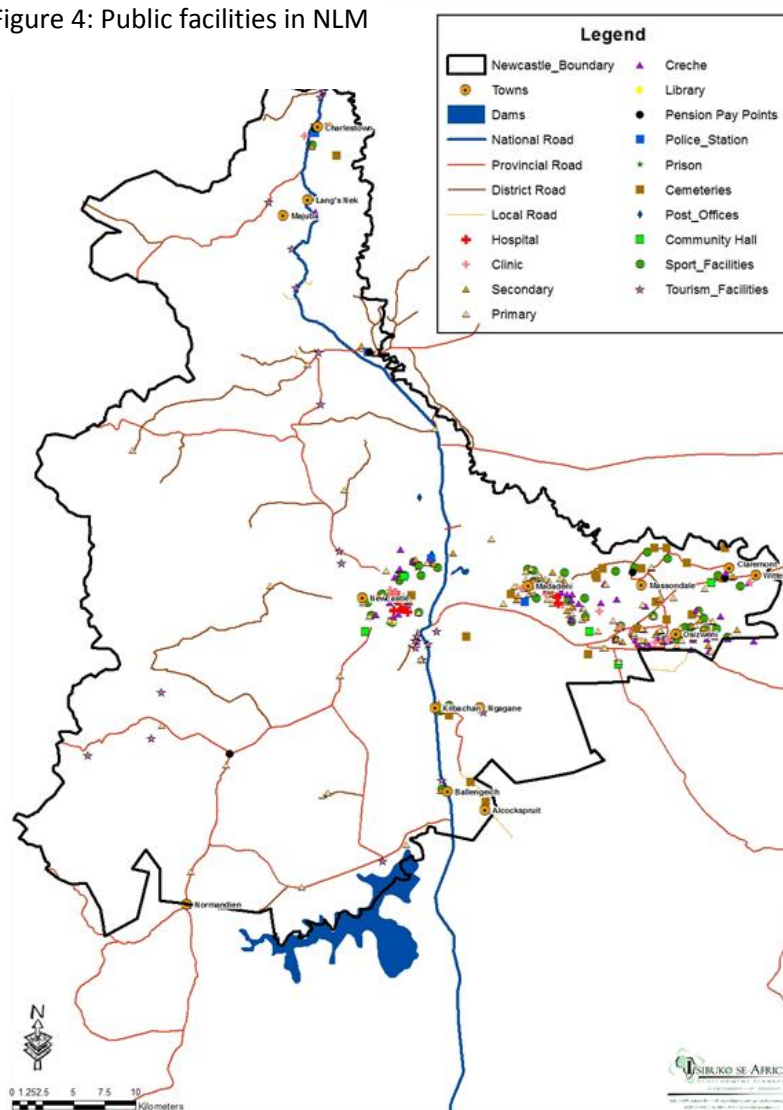
The application of planning standards in respect of secondary schools indicates that between 36 and 60 secondary schools are needed. The number of schools in the area seems to be adequate, but the quality of each facility and the teacher pupil ratio's are important aspects which must be borne in mind for future planning and development in the area.

Tertiary education facilities include the old Madadeni College of Education (which is now used as a College for Further Education and Training), the Majuba FET (Newtech Campus), Majuba College FET, and Majuba FETC (MTC Campus).

There are approximately 48 early childhood educational facilities within NLM, which is spread throughout the municipal area. The crèches in the area operate from either a dedicated facility, community facility or a home.

2.3.2 HEALTH INSTITUTIONS

Figure 4: Public facilities in NLM



The spatial representation of these facilities clearly indicates that these facilities are concentrated in the urban complexes, in the central and eastern portions of the municipal area.

There are approximately twelve mobile clinics that serve the municipality and 10 permanent clinics. The backlog is mainly in the Newcastle East where the majority of the population lives. At least two hospitals are found within Newcastle Municipality. One is located in town while the other is in Madadeni Township. While Madadeni Hospital serves the district function, Newcastle Hospital is classified as a Provincial Hospital and provides service to the whole of Amajuba District and the surrounding areas.

Table 9: Planning Standards for Health Facilities

Facility	Catchment population	Distance & Walking time	Location factors
Mobile clinic	<5 000	1km / 20min	Located on public transport routes and near taxi and bus ranks and shops.
Clinic	Small: 5 000-10 000 Large: 30 000-50 000	1km / 20min	
Community health centre	70 000-100 000		
Hospital	10 000-80 000	2km(40min) 5km	

Source: Provincial Planning & Development Commission

Emergency Rescue Services (EMRS) is located in Madadeni. The Newcastle Private Hospital is the only private hospital within the municipal area.

2.3.3 SPORTS FACILITIES

Newcastle municipality has a total of 4 sports complexes, namely Paradise Playgrounds, Phelandaba Playgrounds, Fairleigh and Amajuba Sports Complex. In addition, there is the K.R. Rumelin Stadium, 18 sports fields and the Newcastle Swimming Pool. Newcastle East, particularly JBC and the surrounding settlements are poorly provided with sports facilities. Urban renewal programme in the JBC, and infrastructure upgrading in the MBO areas should prioritise the provision of adequate sports facilities. Parks and play lots should also be prioritised in these areas. The age structure of the population and the dominance of the youth support this assertion.

2.3.4 POLICE STATIONS

There are seven permanent police stations in NLM and one satellite station. Services offered range from child protection, serving the community and domestic violence. Newcastle has four libraries, located in its area of jurisdiction, namely the Newcastle Public library, Osizweni, Madadeni and Fairleigh.

2.3.5 LIBRARIES

A main library is located in town while satellite libraries are found in outlying areas such as Madadeni and Osizweni. Provision of libraries in the Newcastle East should be prioritised given the structure of the population and lack of such facilities in the area.

2.3.6 COMMUNITY HALLS

The municipal area has a total of nine community halls. Four of these are administered by the district municipality, while the other three is administered by NLM. There is a need for additional about 16 halls based on the size and geographic spread of the population. Development of multi-use community facilities which may serve as pension-pay-points, indoor sports facility and place of assembly should be investigated.

2.3.7 CEMETERIES

Access to burial facilities is one of the key challenges facing the Newcastle Municipality. There are 27 cemeteries (8 formal or registered and 19 informal burial sites). Registered cemeteries include 3 cemeteries in Charlestown, Roy Point cemetery, Cavan, (Drycut), Newcastle cemetery, Osizweni and Madadeni cemeteries. One of the unregistered cemeteries is Ngagane cemetery to the south of the Newcastle town. However, only two formal cemeteries are in operation, namely RoyPoint and Drycut cemeteries.

Although Drycut Cemetery was properly planned and laid out, it appears that the plan has not been followed. As a result, some graves are located in environmentally sensitive areas, and the facility remains poorly developed. This facility is currently the main cemetery that services the eastern parts of the NLM.

Similarly, the Roy Point Cemetery which serves as a regional facility for the whole of Newcastle and beyond is also fast approaching capacity clearly indicating a need for the identification and development of a new cemetery for the area. Cemeteries in Madadeni and Osizweni have been closed due to unfavourable geological conditions (high water table).

In response to the above cemetery challenges, the Newcastle Municipality has commissioned an investigation of identifying new suitable sites for cemeteries. This project is aimed to be completed by September 2012 and the planning exercise will begin through implementing the Environmental Impact Assessment (EIA), and other processes.

2.4 LAND REFORM PROGRAMME AND RURAL DEVELOPMENT

The Newcastle Area has long been grappling with the land issues and has been involved in the implementation of the land reform since its inception. Land issues in the area cover both

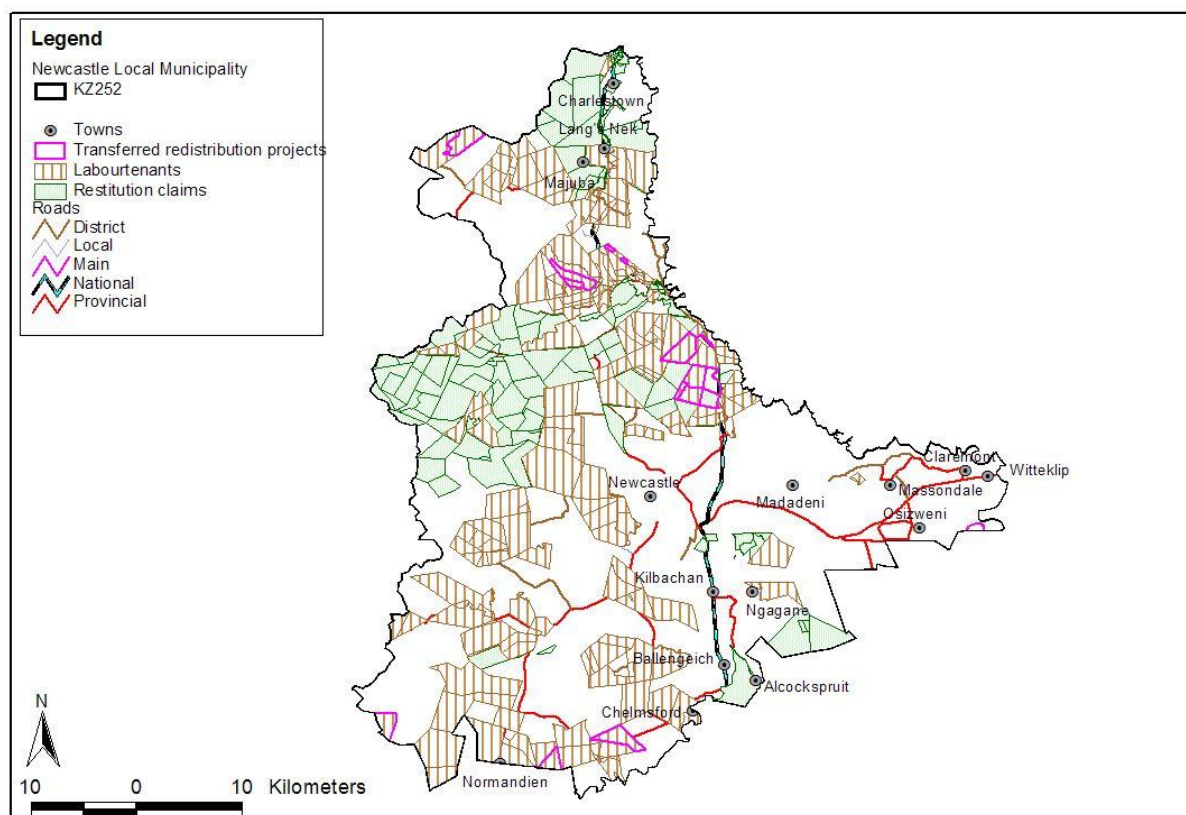
urban and rural areas, and cuts across the various elements of the land reform programme. Despite this, the area still lacks a common and coordinated vision for land and agrarian reform. Attempts by the Department of Rural Development and Land Reform, in association with Amajuba District to develop an Area Based Plan dealing comprehensively with the land issues in the area has not made any significant impact in this regard.

2.4.1 STATUS OF LAND REFORM PROGRAMME

According to Amajuba District Municipality Area Based Plan, the Department of Rural Development and Land Reform is implementing the following projects within Newcastle Municipality:

- ✓ **Land Redistribution (LRAD):** There are 15 completed land restitution projects where 5,097ha of land has been transferred to 283 households (1456 individuals).
- ✓ **Land Restitution:** There are 130 claims on farms in the Newcastle area, totalling 53,000ha. Of this, 34 claims have been settled, making up 12,700ha.
- ✓ **Tenure Security (Labour Tenants):** There are tenure security claims on 99 farms, making up a total area of 973ha.

Figure 5: Land reform projects in Newcastle Local Municipality



The Amajuba ABP further notes that 73,212ha of land has been transferred under the land reform programme. An application of the 30% target suggests that 109,447ha is required in order to bring the programme in Newcastle in line with the national targets.

As indicated on the Map (figure 5) above, the programme will have significant economic and spatial impact in the area. Strategies should be devised to integrate the programme into the service delivery and economic development programme of the municipality. Careful management and support to beneficiaries is necessary to sustain the production potential of land in the area.

2.4.2 LAND TENURE UPGRADING

The need for land tenure upgrading in the NLM affects four types of communities, namely:

- ✓ People who hold Deeds of Grant to land
- ✓ People who require their title deeds to be adjusted
- ✓ Tenants in the JBC area
- ✓ Farm dwellers

2.4.2.1 MADADENI AND OSIZWENI TOWNSHIPS

The title upgrading process undertaken as part of the Extended Discount Benefit Scheme and involving areas where people held their properties through Deeds of Grants (eg. Madadeni and Osizweni Townships) has virtually been completed.

2.4.2.2 JBC AND CHARLESTOWN

Similarly, substantial progress has been made with the title adjustment process involving land owners in the JBC and Charlestown areas. The completion of this exercise is critical to unlocking privately owned land in these areas for the development of sustainable human settlements. In fact, a comprehensive scheme which involved the provincial Department of Human Settlements and the national Department of Rural Development and Land Reform should be initiated as part of the urban Renewal Programme to deal with the land issues in the JBC and Charlestown areas. This includes people who occupy the area as tenants whose land tenure remains insecure.

2.4.2.3 UBUHLEBOMZINYATHI

Communities occupying the area that falls under the jurisdiction of Ubuhlebomzinyathi Community Authority should also be considered for land tenure upgrading. These include Khathide, Dicks, Mndozi, etc. At present, these communities enjoy beneficial occupation

rights protected in terms of the Interim protection of Informal Land Rights (IPIIRA). These areas require careful management as they are fast deteriorating into urban slums. Densities are increasing and accounts for some of the huge urban service backlogs in the NLM.

2.4.2.4 AMAHLUBI SETTLEMENT

The land occupied by AmaHlubi Community in the vicinity of Drycut Cemetery should be investigated as it may fall outside the proclaimed area of Ubuhleбомzinyathi Community Authority. The land has been subject of a court case between Ingonyama Trust and AmaHlubi Traditional Council. Other areas that require attention in terms of tenure security are the settlements located to the north of Osizweni Township and JBC area.

2.4.3 LABOUR TENANT CLAIMS

As indicated on the Map above, a number of labour tenant claims were registered against various farms within the Newcastle Municipality Area. The process towards the resolution of these claims has been frustratingly slow. It is critically important for the municipality to follow this process closely as it may result in the establishment of small isolated settlements. A rural development strategy is required to guide this process and ensure that settlements do not encroach onto agricultural land in an uncontrolled manner.

2.4.4 LAND RESTITUTION

A number of land restitution claims were lodged against various properties in the Newcastle Area. The majority of these are large in size and riddled with complexities. Charlestown which involves dairy farming, timber plantations, crop production and livestock farming has been resolved successfully with the community obtaining access to more than 10000ha of good agricultural land. The challenge is now to develop the farms, sustain productivity and create employment opportunities. The process towards the resolution of the other land claims such as Ingogo is progressing slowly. In view of the size of these claims and potential for agricultural development, it is critically important for Newcastle Municipality to ensure that they are integrated into the economic and service delivery programmes of the municipality.

2.4.5 IMPACT OF THE LAND REFORM PROGRAMME

As indicated on Mapbelow, the land reform programme has a significant spatial impact in the area. Other impacts are as follows:

- ✓ **The loss of productive agricultural land to residential development**, resulting in reduced contributions by agriculture to the local economy and loss of job creation opportunities
- ✓ **Land reform resulting to the loss of productive agricultural land**. If operations on productive land are unsustainable, this will “virtually destroy the agricultural sector, result in massive unemployment and poverty and a loss of food security”

- ✓ **Provision of adequate water supplies.** An adequate and sustainable supply of water is critical to the long term development of agriculture. Threat includes climate change, invasive alien plants and pollution.

2.5 SUSTAINABLE HUMAN SETTLEMENT

Newcastle Municipality Housing sector plan was adopted by Council in 2010. It provides an analysis of the housing situation within the municipality and outlines strategies to address the backlog and the associated housing problems. It clearly indicates the growth of the urban core and the need to accommodate the ever increasing demand for housing. The result of the influx is informal settlements or back-yard shacks. However, this plan is now outdated as it predates the introduction of a new national housing policy and does not provide sufficient guidance towards the development of sustainable urban human settlements.

2.5.1 HOUSING NEED

95% of the population resides in the urban part of the municipality. Nearly, 60% (195 216) of Newcastle Municipality population resides within eastern settlements along P483. These include the townships of Madadeni and Osizweni, the peri-urban settlements of Johnston, Blaauwbosch and Cavan, and the rural settlements of Khathide and AmaHlubi. Rural areas dominated mainly by the extensive agricultural farms account for only 5% of the population. It therefore, follows that housing need in the Newcastle Municipality area is concentrated in the urban areas, and occurs as follows:

- Informal settlements located in close proximity to Newcastle Town. Settlements such as Siyahlalala indicate a need to create housing opportunities close to areas with higher concentration of employment opportunities.
- Peri-urban settlements located in the JBC area. The area is poorly provided with basic services and public facilities, yet is one of the areas that have experienced high levels of population growth over the last few years.
- Settlements located within Ubuhlebomzinyathi area which is fast degenerating into urban slums. The majority of these are located to the north of Osizweni Township and the JBC area.

Organized land invasion in areas such as Tuam Farm. Again this serves to highlight a need to create settlement opportunities closer to employment opportunity areas.

Other areas that require attention in terms of the development of sustainable human settlements include the following:

- Charlestown area which includes both tenants and informal areas.
- Small mining towns, the majority of which are located along the southern boundary of the municipality.
- Isolated settlements located on agricultural land. Ingogo is a relatively good example in this regard.
- Settlements being established in terms of various elements of the land reform programme.

The housing sector plan estimates housing backlog at between 19000 and 30000 units and a Housing Waiting list of 32 000 people.

The current projects indicated in the HSP, suggests that the majority of housing need is in the Madadeni/Osizweni (MBO) and JBC complex, which is currently expanding outwards. The housing need is evident in the quality of the existing structure, poor access to basic services and unsecured land tenure. It also relates to the consequences and impact of urbanization and the inflow of people into the urban areas of Newcastle. In order to address the housing need the MBO complex and Newcastle town need to be integrated and the quadrant between the P483 and the N11 must be unlocked for housing development.

2.5.2 INFORMAL SETTLEMENTS

As indicated on table 12 below, informal settlement is one of the key challenges facing the NLM.

Table 12: Informal Settlements

SETTLEMENT NAME	NR OF HOUSEHOLDS	POPULATION SIZE	EXTENT	ROAD NETWORK	SANITATION	WATER	REFUSE REMOVAL	ELECTRICITY
Roy Point Informal Settlement	800	1000	50ha	None	Pit Latrines	None	None	None
Charlestown Informal Settlement	1500	6000	56ha	None	Pit Latrines	None	None	None
Bosworth Informal Settlement	500	3500	NA	None	Pit Latrines	None	None	None
Siyahlalala Informal Settlement (Fairleigh)	1000	5500	84ha	None	None	4 Stand Pipes	None	None
Soul City Madadeni Section 3	60	300	NA	None	VIP	Stand Pipes	Collected	None
Soul City : Madadeni Stafford Hill	3000	4500	NA	None	Pit Latrines	4 Stand Pipes	None	Eskom

SETTLEMENT NAME	NR OF HOUSEHOLDS	POPULATION SIZE	EXTENT	ROAD NETWORK	SANITATION	WATER	REFUSE REMOVAL	ELECTRICITY
Dry Cut Informal Settlement	500	2500	NA	None	Pit Latrines	4 Stand Pipes	None	None
Ingogo Informal Settlement	600	3000	NA	None	Pit Latrines	None	None	None
Ingqayizivele Informal Settlement	600	3000	NA	None	Pit Latrines	None	None	None
JBC Informal Settlement	NA	45191	2408ha	Access Roads	Pit Latrines	Stand Pipes	None	Eskom

The total demand for dwelling units (in informal settlements) can thus be calculated at approximately 19 000 units (this figure could however be much higher/lower depending on the number of households for the JBC Informal Settlement).

2.5.3 HOUSING DELIVERY

In stark contrast to the huge demand, are the mere 9000 units that were built over the past 10 years. The Pipeline projects are as follows:

- Madadeni H39 – 890 beneficiaries
- Charlestown Housing – 1500 beneficiaries
- Siyahlala-la Housing – 1200 beneficiaries
- KwaMathukuza Storm damage – 1385 housing units
- Madadeni storm damage 1 - 850 units
- Madadeni storm damage (2) – 800 Units
- Khathide Phase (2) – 2000 housing units
- Blaaubosch housing – 2011 housing unit
- Osizweni Phase three – 670 housing units
- Emawozeni Housing – 100 units

Future housing projects should go beyond the delivery of housing units and focus on the creation of sustainable communities and settlements. This includes improving access to basic services, social/public facilities and creating opportunities for economic development. The municipality has submitted an application to the Department of Human Settlement for Community Residential Units in Fairley, Central along N11 and social housing next to the private hospital. It is hoped that these housing developments will play a significant role in assisting the municipality to alleviate housing shortages.

2.5.4 URBAN RENEWAL

Madadeni and Osizweni are the two main townships located within Newcastle Municipality area of jurisdiction. The area, generally referred to as the MBO (Madadeni, Blaawbosch and Osizweni areas) is the main focus of urban renewal initiatives by the municipality. To this extent, a regeneration framework has been developed as a means to provide guidance, coordination and alignment of sectoral activities to facilitate development of MBO complex. Key performance areas with their identified strategies identified for the MBO complex include:

- ✓ Quality Living Environment: this key performance area deals with strategies to improve the quality of the environment. It includes, amongst others, strategies for conservation, environmental health, rehabilitation and reclaim of degraded areas, air quality, water resource management, waste management.
- ✓ Access to Public Services and Amenities includes strategies for road maintenance, ensuring adequate and reliable bulk resources for all services over next 20 year period site and service strategies, etc.
- ✓ Functional Local Economy: this KPA identifies strategies for recycling programmes, encouragement of home enterprises, mixed activity Economic Opportunity Zones, multi modal transport interchanges at major nodes, secondary residential property market, land tenure upgrading as part of all housing projects, etc.
- ✓ Linkages and Integration: Strategies of importance are inter-neighbourhood linkages, extension of new road linkages towards improved integration, Investment Promotion Office dealing with specifically the former township areas (now economic opportunity zones).

2.5.5 UPGRADING AND FORMALISATION OF JBC AREA

The JBC Framework identifies six development units or precincts, and recommends that these form the basis of a housing development program in the area. Layout plans and development applications have already been packaged for some of these precincts. It further suggests the following initiatives for the area:

- ✓ Effective environmental management.
- ✓ Provision of bulk engineering services, particularly waterborne sewerage.
- ✓ Upgrading of main transport networks and the associated public transport networks. This includes walkways and pavements.

- ✓ Promoting local economic development through the development of a new town centre in the area.
- ✓ Introducing an effective land use management system.

It further acknowledges the importance of P483 as the primary development corridor running through the area, and a number of mixed use strips (activity streets). It also suggests at least three development nodes with the major node being the proposed JBC Town Centre.

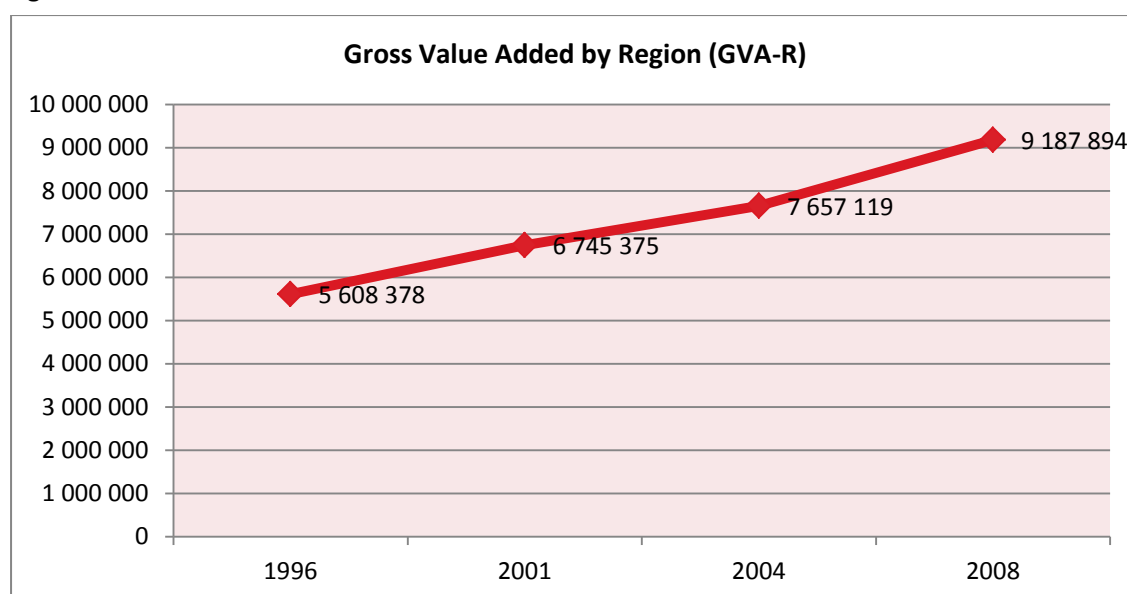
2.6 THE LOCAL ECONOMY

Newcastle Municipality has a legal mandate to promote social and economic development within its area of jurisdiction. It is also required in terms of Section 153 of the Constitution, to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community. In furtherance of this mandate, Newcastle Municipality has initiated a process towards the development of a Local Economic Development (LED) Plan as a sector plan to the IDP and a strategic guide for promoting equitable economic development.

2.6.1 SIZE AND STRUCTURE OF THE LOCAL ECONOMY

Newcastle is centrally located in the northern region, of KZN halfway between Johannesburg and the harbours of Durban and Richards Bay, contributes to the export of manufactured goods, as well as for distribution to the Gauteng market.

Figure 6: GVA-R

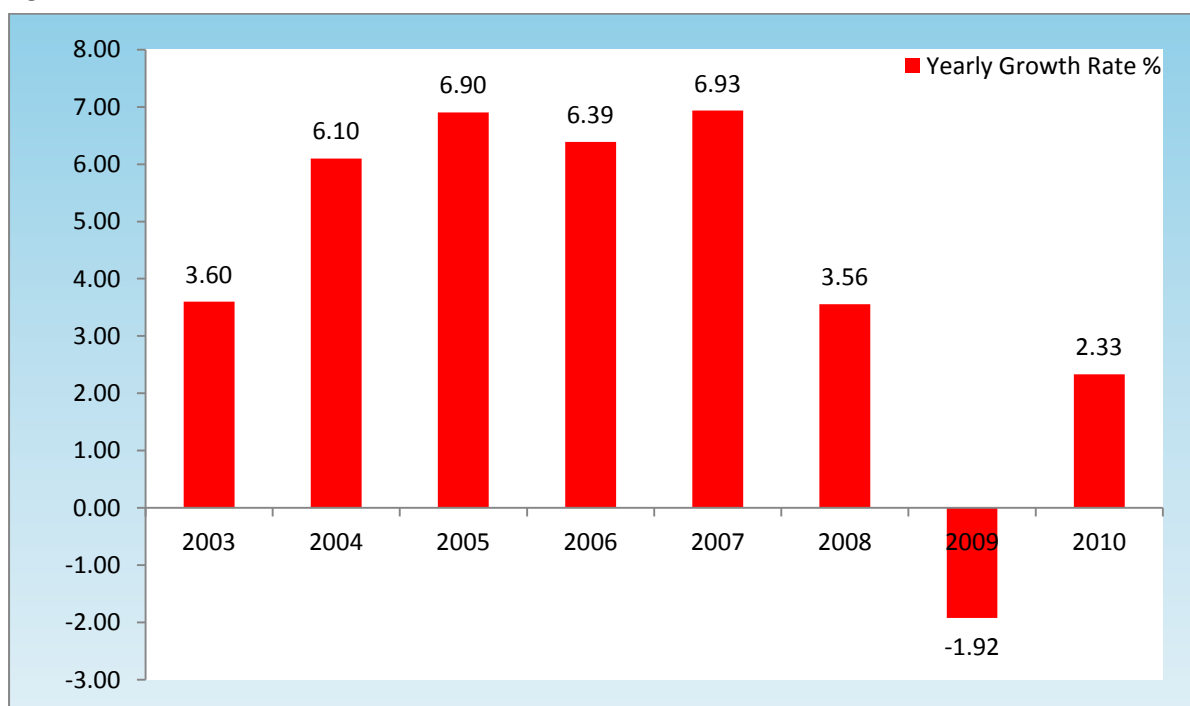


Source: Global Insight

Newcastle is also provided with good access infrastructure to these areas, which includes road and rail networks. It is situated on the national rail route between the Durban Container Terminal and City Deep in Gauteng, and has within its confines, major rail exchange yards, supporting railway stations and extensive goods conversion/warehousing facilities. Previous reviews of the local economy have identified manufacturing, tourism and agriculture as the three main economic sectors in the area.

In Newcastle, there are 34 sectors that contribute to the GVA-R¹, of which metal products, machinery and household appliances products is the largest contributor, followed by the education and land and the land and transport sector (refer to Figure 6). The GVA-R of Newcastle has experienced a significant increase over the last 12 years.

Figure 7: GDP Growth Rate



Source: Provincial Treasury

In contrast to the GVA-R, the GDP² has experienced a negative growth since 2007 with negative figures being reached in 2009. This phenomenon can be attributed to the global recession. Newcastle has been identified as one of the six fastest growing towns in KZN, with an average growth of 1, 97% (refer to figure 7). Although the recession is subsiding, there is still a long way to recovery in terms the effect on unemployment and a downturn in the local economy.

¹ Gross Value Added by Region (GVA-R) is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy

² The gross domestic product (GDP) is a measure of an areas overall economic output, thus an indicator of economic growth. It is the market value of all final goods and services made within an area in a year.

2.6.2 MANUFACTURING

Newcastle Local Municipality is the largest contributor to the districts' economy, and manufacturing is the predominant sector. Amajuba manufacturing contribution to KZN's economy is 5%, of this Newcastle comprises 58.3% of the input. Key component of this sector are metals, metals products, machinery and equipment, as indicated in table 13. Newcastle has a number of comparative advantages in the manufacturing industry. Firstly, it has a highly developed manufacturing complex, notably textiles and footwear, building supplies and metal products. However, this industrial complex is located in between Newcastle CBD and the MBO complex, serving as a buffer between the two areas.

Table 103: GDP Contribution to the Manufacturing Sector, 2004

SECTOR	KZN	AMAJUBA	NEWCASTLE
Food, beverages and tobacco	17	4	3
Textiles, clothing and leather goods	10	8	9
Wood and paper, publishing and printing	9	2	0.7
Petroleum products, rubber, plastic, chemicals	23	20	21
Other non-metal mineral products	2	1	1
Metals, metal products, machinery, equipment	19	59	61
Electrical machinery and apparatus	2	2	2
Radio, TV, instruments, watches and clocks	1	0	0.3
Transport equipment	12	2	1
Furniture and other manufacturing	5	2	1
TOTAL	100	100	100

Source: Urban-Econ Estimates Ex Quantec, 2005

The area of Newcastle is also centrally located to major markets by road (N11 and N3 network) and has a fully functional local airport available. As such, it is easily accessible to markets. Other advantages are the established cargo rail link that is currently underutilised, a well developed existing Eskom infrastructure, available commercial and industrial land and a history of organised mining in the municipality which has generated associated industries. Lastly, Newcastle has a highly organised agricultural sector linking into agro-processing manufacturing expansion.

2.6.3 TOURISM

The tourism sector is currently a small contributor to the region's economy, but holds a number of opportunities that can be explored. The NLM forms part of the Battlefields Route. This route attracts 7% of foreign visitors to KZN annually and approximately 42 000 domestic tourists (TKZN Tourism Statistics, 2010). Amajuba has developed a Tourism

Development Plan, as well as a development plan for the Battlefields route. The Tourism Development Plan seeks to implement strategies that would create facilities and the marketing of draw card attractions and activities in the district, while the Battlefields Development Plan seeks to the Battlefields located within the Amajuba District Municipality that have never reached their full tourism potential.

It is estimated that the NLM generates approximately R116m in tourism related business per annum, with tourism related establishments generating R165m and creating 1066 jobs in the municipality (Tourism Sector Report: 2004). Comparative advantages identified within the Tourism Sector, are:

- ✓ Strong well preserved historical heritage with well developed museum structures.
- ✓ Falls within Zulu kingdom and engenders good linkages to this cultural heritage.
- ✓ Halfway point on N11 between two major centres, Johannesburg and Durban.
- ✓ Gateway to Battlefields Region.
- ✓ Long history of hosting national sporting events.
- ✓ Well established adventure tourism in pristine natural surroundings.

2.6.4 AGRICULTURE

Agriculture contributes about 0.7% to the local economy. While the contribution of the agricultural sector in Newcastle may seem particularly low, it remains an important sector for the following reasons:

- ✓ The sector has the potential to create jobs.
- ✓ The pursuit of national food security requires continued agricultural production and investment.
- ✓ While primary production accounts for 4.5% nationally, the larger agro-food complex contributes an addition 9% to GDP (South Africa, 2001). This contribution to GDP is concealed in the manufacturing and trade sectors GDP figures.
- ✓ A focus of support to agriculture is important to build capacity and productivity in land reform projects.
- ✓ Agricultural development and support is aligned with prevailing rural development policy objectives.
- ✓ There are a number of catalytic agricultural projects that have been identified for Newcastle Municipality.

Animal production, Forestry and Agronomic (Field) crops are the key farming enterprises in the region. The high contribution of Beef cattle sales emphasises the high proportion of grasslands occurring in the area. Maize for the production of grain is the major agronomic crop, followed by Soya and Wheat.

Dairy was a significant contributor to Provincial GFI in 2002. Local Farmers Association members report that the Northern Natal Dairy Cooperative, which used to service 28 Dairy farmers in the Normandien area, was bought out by Clover and subsequently shut down. The cooperative acted as a catalyst for dairy and value adding projects. There used to be 28 dairy farmers in the Normandien area and since the closure of the Cooperative, numbers of dairy farmers has declined to three active dairy farmers in the area (Philipps, pers comm).

According to local farmers, the key commodities produced in Newcastle are:

- ✓ Agronomic crops – mainly soya, maize and wheat
- ✓ Commercial timber plantations
- ✓ Extensive beef production
- ✓ Poultry – broiler and layer production
- ✓ Wool and mutton in some regions, although this is on the decline

Other manufacturing and processing activities are as follows:

- ✓ Cattle and sheep abattoir – halaal
- ✓ Poultry abattoir
- ✓ Grain mills – mostly private, who mill maize for whole maize, crush for poultry and maize meal for human consumption – hominychop sold off as an animal feed
- ✓ Local soya processing.

Agriculture in Newcastle faces a number of challenges. These include issues of land tenure and freehold, low penetration of commercial farming activity, low skills base of emerging farmers, land claims, increasing production costs, high transport costs etc.

Amajuba District Municipality commissioned a district level agricultural plan, which was completed in 2006. The main agricultural potential areas of the Amajuba District Municipality are intensive farming, irrigation, dry land farming and stock farming. The focus of Newcastle Municipality's agricultural planning is centred on the following investment opportunities:

- ✓ Soya bean production linked into oilcake and biodiesel production.

- ✓ Dairy products have massive potential. This include dairy based agro-processing opportunities for yoghurt, ice-cream, powdered milks, custards production.
- ✓ Floriculture, which is a sub-sector gaining momentum in the international export markets. Both traditional (roses, carnations and crysants) as well as indigenous (proteas, fynbos and bulbs) flowers are growing in popularity. The ideal location between two major export hubs (Durban International Airport and OR Tambo International Airport) makes Newcastle highly suited to flower exports to Europe and the Middle East.
- ✓ Agri-processing: Expanded production in fruits, vegetable and nuts generates new opportunities for specialist agro-processing. Juicing, drying and canning are all reasonably low capital cost options for fruit processing while opportunities for cold processing (vegetables, herbs and aromatic plants), nut cracking and pressing, distillation of essential oils and hot processing of citrus (jams and spreads) are all highly viable in Newcastle.
- ✓ Meat processing (both game and cattle) is an attractive option for investment. Game meat has grown in market share both locally and internationally. The Agricultural Plan estimated that an additional 30000ha of grazing land is currently underutilized in the municipality, representing a considerable opportunity in the offing.
- ✓ Aquaculture development with the major thrust being an aquaculture processing plant.

2.6.5 INFORMAL SECTOR

The informal sector is especially evident in MBO and the Newcastle CBD. In the CBD, informal street trading is mostly concentrated along the northern end of Allen Street, around the bus and taxi rank and in the parking courts immediately adjacent to the rank. Trading structures have been erected in Scott Street close to its intersection with Allen Street, in the bus and taxi rank and on the triangular shaped site at the northern end of Allen Street, close to the Ncandu River. These structures are of good quality although their position does hinder traffic flow.

The MBO area accommodates more than 70% of the municipal population yet it is the most underdeveloped in terms of infrastructure and economic development opportunities. It has been selected for urban/township regeneration, in part, as a means to address the spatial distortions and economic marginalization inherited from the apartheid past. Informal trading is prevalent in nodal areas and exhibits the following characteristics:

- ✓ Informal trading takes place in the vicinity of taxi ranks, town centres and major public facilities (e.g. hospital, clinics, schools and pension pay points).
- ✓ The majority of informal traders are involved in small operations which involve a relatively small number of people.
- ✓ Most traders have are not authorized to undertake street trading and do not belong to a formal structure but would like to be part of one.
- ✓ High concentrations of informal traders in places such as taxi ranks create pressure on the available infrastructure and causes chaos.
- ✓ The operators who try to work within the rules are becoming frustrated at the lack of regulation.
- ✓ There is a general lack of market infrastructure (i.e. safe and secure trading sites) and general infrastructure (i.e. roads, electricity, water, sewerage).

The MBO LED strategy identified the following key areas of focus (strategic intervention areas):

- ✓ Sectoral development which includes tourism, commerce, manufacturing (industry) and community services.
- ✓ SMME development and support.
- ✓ Business support programme.
- ✓ Infrastructure development and upgrading.
- ✓ Housing delivery.

2.6.6 MINING

Mining forms an important component of the economy of Newcastle and the history of organized mining in the municipality which has generated associated industries. Mining activities includes coal mining, brick clay, Iron Oxide, dimension stone, aggregate and sand. Particularly two areas are of interest, namely KIB and the MBO area.

2.6.6.1 COAL MINING

Mintek (2007) estimates that 23% of the coal resources still remain within the Klip River coalfield, of which 51% are found in the Top seam and 49% within the Bottom seam. The coal reserves can (and probably will) be increased with additional coal exploration. It is also estimated that there are approximately 4.5Mt of *in situ* coal within the Klip River coalfield – a large portion of which is located within the Newcastle LM. The vast majority (87%) of this

coal is considered to be thermal (or steam) coal with a minor portion (8%) of anthracite and 5% of metallurgical coal. The only coal mining and associated operations that appear to be taking place within the LM are related to dump / stockpile reclamation along the N11 outside Newcastle and to the east near the old Ngagane Colliery, as well as a char plant and siding stockpiles (for coal from outside the Newcastle area) within the Ballengeich area.

There are a number of areas where mining has ceased through decommissioning or abandonment, but rehabilitation has either not taken place or is incomplete. These include:

- ✓ Macalman Walmsley
- ✓ Tendeka North Opencast (Osizweni area)
- ✓ Ballengeich / Natal Cambrian Colliery
- ✓ Kilbarchan Colliery
- ✓ Horn River Colliery – Gardinia
- ✓ Witklip Colliery near Charlestown

This has implications for environmental management in terms of water, ground stability and issues of safety. Many of the operations were underground with a number of audits (underground access points) that were linked to a single mining entity or operation. This has an impact on potential land use; however the footprint of the workings cannot be determined from surface³.

According to the DMR, there are several prospecting projects that are currently being carried out within the NLM. The accuracy of this data is questionable as there are duplicate holders of prospecting rights over the same farms and farm portions. Nevertheless, coal applications are located north-south and east of the N11. In September 2010 a six month moratorium on prospecting right applications was put in place to audit the applications, process and irregularities. It is therefore important for the LM to obtain an updated database from the DMR.

2.6.6.2 IRON OXIDE

Iron oxide potential is concentrated east of Newcastle within the Madadeni / Osizweni areas. Two mines appear to have been operational to the far east of Osizweni, with a number of abandoned areas of mining or with mining potential. However, field verification of these areas show no latent evidence of mining, with most being within areas that are now built up. It is now unclear whether surface disturbance within these areas is from

³ An application for access to the DMR records of the final mine plans for these operations is recommended.

mining or construction activities. In general, it would appear that the deposits are small and may have been mined out. Mining of weathered dolerite within the area may be a source of iron oxide for pigment; however much of this may also be used in the construction industry.

2.6.6.3 BAUXITE (AL)

Several bauxite occurrences have been reported from within the Newcastle LM. These can be found to the west and southwest of the town, but are all considered to be of insufficient scale and / or grade to be economically viable at this stage. However, further detailed exploration may well prove otherwise. At this stage, bauxite is unlikely to be mined within the LM therefore the potential environmental risk is low.

2.6.6.4 DIMENSION STONE

In the Newcastle area, there is an abundance of dolerite and sandstone, which both have potential as sources of dimension stone. The dolerite is commonly very dark in colour – due to its fine grain size and enrichment in magnetite – with the result that it is often commercially attractive and is marketed as “Black Granite”. Despite this, there do not appear to be any dimension stone mines within the Newcastle LM. Dolerite outcrops throughout the LM, primarily west of the N11. Although the quality of these deposits for use as dimension stone is currently unknown, there is significant potential.

2.6.6.5 AGGREGATE

AfriSam have an aggregate quarry southwest of Newcastle town off the N11. This dolerite quarry appears to be well run and supplies gravel for crush and cement. A number of other abandoned quarries and borrow pits are in evidence north and east of Newcastle town. Most of these would have been used for road construction and water services infrastructure, as well as for the local building industry.

2.6.6.6 SAND WINNING

There are plenty of quaternary deposits along stream and river courses for sand winnowing (such as along the Buffels, Horne and Ngagane Rivers) In the Newcastle area. Much of the sand mining within the Newcastle LM is associated with the wetland areas adjacent to water courses and not within/immediately adjacent to the dynamic zone. Sand mining was prevalent east and southeast of Newcastle town in close proximity to the target market (Osizweni/Madadeni building industry. This has serious environmental implications. According to the DMR there is only one sand application (mining permit) northeast of Osizweni from 2005. The accuracy of this data is questionable and appears to be an

irregularity as the area covered by this permit far exceeds 1.5 ha (the limit of a mining permit).

2.6.6.7 BRICK CLAY

The Department of Mineral Affairs is currently busy with a project worth R120 million, to rehabilitate an illegal coal mine in the Blaawbosch area. The intention of the project is to rehabilitate the mine by using the local community that is mining there and create economic opportunities by developing a block-making facility and brick-making yard. The bricks will be collected and purchased by Corobrick.

2.7 ADMINISTRATIVE AND GOVERNANCE STRUCTURE

The Newcastle Municipality is a Category B Municipality. It functions under the Collective Executive system, consisting of 9 members. The Mayor is elected from the Executive Committee. The Council consists of 61 councillors of which 10 are full-time councillors. 31 of the 61 councillors are ward elected councillors while the other 30 comprises of proportional representation councillors. The Council has five Portfolio Standing Committees, with members of the Executive Committee serving as a Chairperson and Deputy Chairpersons.

2.7.1 GOVERNANCE

2.7.1.1 POWERS AND FUNCTIONS

The powers and functions of the Newcastle Municipality are derived from the Constitution of the Republic of South Africa and a range of local government legislation, and could be summarised as follows:

CORE FUNCTIONS	
Schedule 4 Part B	Schedule 5 Part B
Building Regulations	Cemeteries
Electricity and Gas Reticulation	Cleansing
Fire Fighting Services	Municipal Roads
Municipal Planning	Refuse Removal, refuse dumps and solid waste disposal
Storm water Management systems in Built up areas	Street lighting
Water and Sanitation Services	Traffic and parking
NON-CORE FUNCTIONS	
Schedule 4 Part B	Schedule 5 Part B
Air Pollution	Beaches and Amusement Facilities
Child Care facilities	Billboards and the display of advertisements in public places

CORE FUNCTIONS	
Schedule 4 Part B	Schedule 5 Part B
Municipal Airports	Control of undertakings that sell liquor to the public
Municipal Health Services	Facilities for the accommodation, care and burial of animals
Municipal Public Transport	Fencing and fences
Municipal Public Works	Licensing of dogs
Pontoons, ferries, jetties etc.	Licensing and control of undertakings that sell food to the public
Trading Regulations	Markets
Local Tourism	Municipal Abattoirs
	Noise Pollution
	Pounds
	Public Places
	Street Trading
	Control of public nuisances
	Local Sports facilities
	Municipal parks and recreation
	Funeral parlours and crematoria

In order to maximise administrative and operational efficiency, all powers subject to section 32 of the Local Government: Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following:-

- ✓ Approval of an Integrated Development Plan
- ✓ Passing of by-laws
- ✓ Approval of budgets
- ✓ Imposition of rates and other taxes, levies and duties
- ✓ Raising of loans

In respect of the water and sanitation service – this service is rendered through a Water services provider (uThukela Water Pty Ltd) with the Municipality serving as the Water Services Authority. Amajuba District function being performed by the municipality is the Environmental Health Function and arrangements regarding the transfer of the function to the District are in progress.

2.7.1.2 GOVERNANCE STRUCTURE

The Newcastle Municipality has 61 democratically elected councillors which constitute the council. Council meets at least monthly and is the final decision making body within the municipality.

The Executive Committee (EXCO) is responsible for the day-to-day running of the organization, and decision making. They meet regularly to receive reports from the Municipal Manager. EXCO is supported by the following portfolio committee, who serve as oversight structures in respect of various line functions and responsibilities of the municipality:

PORTFOLIO	INITIALS AND SURNAME
Finance Chairperson	Cllr. A.F.Rehman : Mayor
Technical Services Chairperson	Cllr. R.N. Mdluli: Deputy Mayor
Technical Services Deputy Chairperson	Cllr. J.A. Vorster
Community Services Chairperson	Cllr. N.P. Kunene
Community Services Deputy Chairperson	Cllr. T.Z. Hadebe
Development Planning Chairperson	Cllr. M. Shunmugan
Development Planning Deputy Chairperson	Cllr. S.B.M.Lukhele
Corporate Services Chairperson	Cllr. B.S. Ntombela
Corporate Services Deputy Chairperson	Cllr. R.B. Ndimba

In addition, the municipality has established a Municipal Public Accounts Committee (MPAC) to oversee the expenditure and accountability for public funds entrusted to the municipality. The structure and current membership of this committee is indicated on the table below:

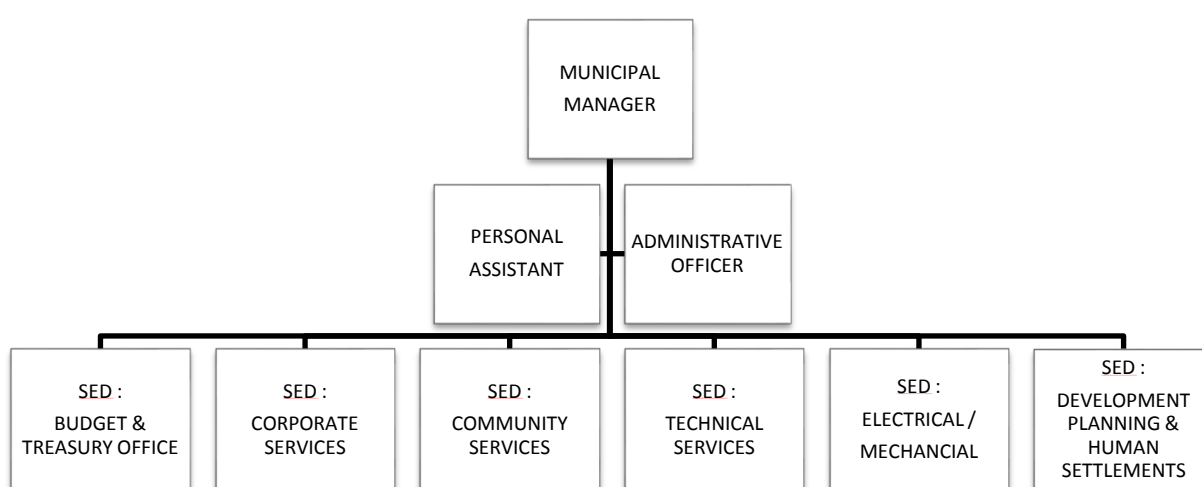
PORTFOLIO	INITIALS AND SURNAME
Finance Scopa	Cllr. M.V. Buhali
Scopa	Cllr. J.K. Gabuza
Scopa	Cllr. T.S. Hlabisa
Development Planning Scopa	Cllr. S.B.M. Lukhele
Scopa	Cllr. H.S. Madonsela
Finance & Development Planning Scopa	Cllr. M.G. Mlangeni
Scopa	Cllr. G.A. Mncube
Community Services Scopa	Cllr. D.O. Shabalala
Scopa	Cllr. D.E. Tshabalala
Technical Services Scopa	Cllr. S.J. Zulu
Finance Scopa	Cllr. T.M. Zulu
Scopa	Cllr. N.A. Zwane

2.7.2 ADMINISTRATION

2.7.2.1 ORGANOGRAM

The organogram illustrated below, and as approved by Council, makes provision for a Municipal Manager, and 5 departments. The office of the Municipal Manager includes Internal Audit and Strategic Services. The administration is structured for effective delivery of services and support to governance structures.

Figure 8: Organisational Structure - Administration



The process of filling in all the vacant SED and senior management posts has been initiated and will be finalised during this financial year. Challenges are being experienced on the scarce skills especially at Electrical Services Department whereby there has been huge staff turnover. However, the municipality has recruited a big number of Interns and some are being seconded by DBSA as part of Skills development program.

2.7.2.2 STAFF BREAK-DOWN

As of 2012, the Municipality had a staff complement of 1203 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaaubosch, Ngagane, Kilbarchan, and Charlestown. The total establishment should be 2000. However, the Micro structure is being reviewed as part of the organisational restructuring process, and the staff complement could therefore increase to meet the service delivery challenges as highlighted in this IDP.

Table 14: Staff Breakdown per Function

DEPARTMENT	NO. OF EMPLOYEES	MALES	FEMALES
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DEPARTMENT	NO. OF EMPLOYEES	MALES	FEMALES
Municipal Manager and Mayor's office	42	22	20
Corporate Services			
- Administration	36	15	21
- Human Resources	22	9	13
Community Services			
- Culture & Amenities	241	164	77
- Protection / Community Services	452	304	148
Development & Planning			
- Town Planning	30	17	13
- Housing & Land	29	11	18
- Economic Development	11	8	3
Technical Services			
- Civil Services	182	126	56
- Electrical / Mechanical Services	66	54	12
Financial Services	92	35	57

2.7.2.3 EMPLOYMENT EQUITY

During the last financial year the municipality developed a new Employment Equity Plan that is currently still in the process of being finalized and approved. According to this plan, substantial progress has been made with regard to affirmative action. Table 15 below indicated distribution of staff according to gender and level in the organogram.

Table 15: Staff Breakdown by Gender and Level

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	13	0	0	2	1	0	0	1	0	0	17
Senior management	18	0	2	1	8	0	2	2	0	0	33

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Professionally qualified and experienced specialists and mid-management	21	1	3	7	22	1	2	8	0	0	65
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	70	9	20	26	67	3	10	26	0	0	231
Semi-skilled and discretionary decision making	134	0	14	5	61	3	15	13	0	0	245
Unskilled and defined decision making	328	5	12	1	140	1	0	0	0	0	487
TOTAL PERMANENT	584	15	51	42	299	8	29	50	0	0	1078
Temporary employees	63	3	3	4	34	0	9	9	0	0	125
GRAND TOTAL	647	18	54	46	333	8	38	59	0	0	1203

The NLM has a total staff complement of 1203 people. 1078 of these are permanent while only 125 are temporary employees.

The management (section 57 employees) comprises of 6 males. This indicates a need for the transformation of this layer of management to include females and where possible the disabled as well.

Gender composition for Post Level 1 – 3 is as follows:

- ✓ 25 African Males and 9 African females.
- ✓ 2 Indian Males and 2 Indian females.
- ✓ 0 Coloured Male and 0 coloured female.
- ✓ 3 White Males and 3 white females.

2.7.3 WORKPLACE SKILLS PLAN

HRD has been successful in rolling out training programmes as per the WSP. Employees representative of almost all Departments have been sent to different workshops which address the skills gaps identified by their respective departments. This intervention is done through the Determination of Training Need. This training forms the bulk of all training that was arranged. In all 245 employees including councillors were trained. This works out to 77.7% of 311 officials that were planned to be trained. Training areas covered a wide range of fields related to municipal administration and delivery of services.

2.7.3.1 HUMAN RESOURCE POLICIES

The following Human Resource policies and Strategies are in place at the Newcastle Municipality:

- ✓ Macro Structure – Restructuring Plan
- ✓ Micro Structure – in progress
- ✓ Human Resources Policy
- ✓ Recruitment Policy
- ✓ Overtime Policy
- ✓ Subsistence and Travelling Policy
- ✓ Cell Phone Policy
- ✓ Sexual Harassment Policy
- ✓ HIV/AIDS Policy
- ✓ Employee Assistance Programme

2.7.4 INFORMATION TECHNOLOGY

Information Technology has become an important component of NLM in the quest to improve and transform lives of communities. In this regard, it is no surprise that the IT unit has also come on board to assist and enable other departments within the Municipality to render a quality service to stakeholders and the public at large.

Below are a couple of IT activities that have taken place from the time the IT unit was incepted till now and beyond:

- ✓ Stable & reliable network infrastructure: A stable data network ensures that revenue collection points are always live. Rate payers do not have to be turned away because systems are offline and thereby causing them great inconvenience. This also results in poor cash inflows for the Municipality.
- ✓ Establishment of the IT unit: This has seen most of the support work being provided for in-house. Members of the public who come for municipal services from any department are attended to fast and with ease. This has also afforded local IT learners to have a place to do their in-service training and also IT internship thereby equipping them with this scarce technical skill.
- ✓ Flipping book software application: This is a package being used for the distribution of electronic agenda to EXCO with a view to cascade it to the whole council, BEC and

BAC. This has provided for easy access of the agenda and has also gone a long way in saving rate payers lots of money from printing huge volumes. The Municipality is really going green because of these electronic means of doing things. Interested groups like the Rate Payers Association and Newcastle Chamber of Commerce have also been provided with this link.

- ✓ Website: Information posted on the website has been of great importance to targeted groups especially the tenders to prospective business people. The list of awarded tenders is also uploaded on the website for transparency sake. Vacant positions are also uploaded so that prospective job seekers can have a chance to apply. End of year and mid-year term reports, Mayor's speeches and tourism promotions have gone a long way to keep the public informed.

The IT unit has other projects that it intends to run which will bring real social transformation to the communities of Newcastle. These include a customer care (call logging) system for members of the public to log in their calls and get reference numbers for ease of making follow-ups. This will also increase efficiency because employees responsible for handling these calls will be made accountable.

Digital divide is an issue of concern to the IT Unit. A mobile internet cafes (buses) that will go around less privileged schools so that learners in those schools can have access to the Internet for their research like those in developed suburbs have been proposed.

The municipality will take advantage of the National Broadband strategy which is being spearheaded by the South African government itself to ensure that all places in and around Newcastle have internet connectivity. Internet coverage is a strong pull factor for investors because it's key to communication.

2.7.5 WARD COMMITTEE SYSTEM

The Municipality has thirty one (31) wards, and each ward has a Ward Committee. In line with the requirements of Outcome 9 All of these wards combined at a municipal wide level shall constitute a Region. The region shall be divided into three (3) zones, viz;

- ✓ Zone A which will have 10 wards.
- ✓ Zone B which will have 10 wards.
- ✓ Zone C which will have 11 wards.

The Ward Committee system shall be structured according to the following fora:

- ✓ Regional Ward Committee Fora,
- ✓ Zonal Ward Committee Fora,

- ✓ 31 Ward Committees.

A public Participation unit established in the Office of the Municipal Manager and supports the Speaker, is responsible to ensure that the ward committees are functional in line with an approved Ward Committee policy.

2.8 FINANCIAL VIABILITY AND SUSTAINABILITY/PROFILE

2.8.1 FINANCIAL MANAGEMENT POLICIES

The following Financial Policies have been developed and adopted by the municipality:

- ✓ Asset Management Policy
- ✓ Cash Management & Investment Policy
- ✓ Credit Control Policy
- ✓ Supply Chain Management Policy
- ✓ Municipal Property Rates Policy
- ✓ Credit Control, Debt Collection and Customer Care Policy (includes Indigent issues)
- ✓ Tariff Policy

2.8.2 PROPERTY RATING SYSTEM

The municipality implemented the new valuation roll compiled in terms of the Property Rates Act, 6 of 2004, on 1 July 2009. All properties under the jurisdiction of the Newcastle Municipality are now included in a single valuation roll.

2.8.3 REVENUE BASE

The revenue base of the Municipality has increased from R689 944 245 in 2008 to R1 182 506 661 in the financial year ended 30 June 2011. This represents phenomenal growth ranging from 23% in 2009 to 52% in 2010 and a slight decline of 8% in 2011. The last two year's increases were significantly higher than the inflation rates which is indicative of good performance by the Municipality, although there was slight decline of negative ten percent, which was caused by the reversal of impairment of investment in Uthukela Water of R363 801 328.00, in 2010 which was a mere book entry and thus not indicative of revenue actually earned. Otherwise, all major revenue streams showed a sharp increase of 28% in 2011.

Table 15: Revenue Increase/Decrease over the Past Four years

Year	Total Revenue (R)	% Increase
2011	1 182 506 661	-8%
2010	1 289 670 25 3	52%
2009	850 774 918	23%
2008	689 944 245	

From the table below, the municipality generates more than half its total revenue base from service charges, which is 55%. The other significant sources of revenue are Property Rates 13%, and Government grants and Subsidies 27%. All other revenue sources are not considered significant and have not formed part of this analysis.

Table 16: Sources of Revenue 2011

Item	% Contribution 2011	2011 (R)
Property Rates	13%	152 386 672.14
Service Charges	55%	654 081 892.57
Rental of facilities and equipment	0%	2 652 370.77
Interest earned - External Investments	2%	25 090 778.19
Fines	0%	2 871 965.55
Governments Grants & Subsidies	27%	324 241 492.18
Revaluation Adjustment: Investment Properties	1%	11 041 000.00
Fair Value Adjustment	0%	5 072 475.00
Other Income	0%	5 068 015.00
Total Revenue	100%	1 182 506 661.40
Percentage Decrease		(8%)
Contributions by material revenue elements		1 130 710 056.89
%Contributions by material revenue elements		96%

2.8.4 EXPENDITURE

The total expenditure of the Municipality has increase well above the inflation rates, as this is evidenced from the table below. Moreover, the trends in increases of expenditure outweigh those in revenue indicating that, at face value, the Municipality has a serious challenge to curb expenses. Whereas it is understood that the sharp increase of expenditure increase is caused by the government call to improve and speed up service delivery to the poor and needy communities in the backdrop of “service delivery protests” to which the municipality has responded so well, nonetheless if these trends continue there will be a major challenge to afford the operations of the Municipality with the revenues that it generates, unless if new revenue streams are identified and exploited.

Table 17: Increase/Decrease in Total Expenses

Year	Total Expenses (R)	% increase
2011	1 327 668 613	45%
2010	917 490 355	-4%
2009	937 184 278	40%
2008	681 680 815	

Below is a table of the proportionate contributions of each expenditure element to total expenses. The major expenditure drivers for the municipality are the following:

- ✓ Bulk purchases
- ✓ Employee related costs
- ✓ General expenses
- ✓ Grants and subsidies paid
- ✓ Bad debts
- ✓ Depreciation, amortisation and impairments

Table 18: Expenditure Costs

ITEM	% CONTRIBUTION 2011	2011
Employee related Costs	14%	89 471 533.74
Remuneration of Councillors	1%	14 785 603.30
Bad Debts	13%	174 136 887.81
Collection Costs	1%	10 140 071.63
Depreciation	17%	222 122 758.00
Repairs & Maintenance	6%	75 463 544.00
Finance cost	0%	5 866 997.81
Bulk Purchases	22%	283 223 432.31
Contracted Services	1%	12 229 229.00
Grants & Subsidies Paid	8%	104 889 018.28
General Expenses	9%	123 348 091.00
Water services (UTW)	8%	104 087 133.00
Fair Value Adjustment	0%	5 507 248.00
Total Expenditure	100%	1 327 668 612.88

The NLM is one of the few municipalities where the contribution of employee related costs is 14.43% of total expenditure. This percentage is significantly lower than the prescribed threshold of 33% determined by the National Treasury. Conversely it needs to be mentioned that critical vacant positions need to be filled in order to ensure adequate service delivery.

2.8.5 NET OPERATIONAL PERFORMANCE

Evidently the Surpluses of the Municipality have been steadily declining from R8 Million surplus in 2008 to R145.1 Million deficit in the 2011 financial year. This could be attributed to the pressure of expenses on the operations, coupled with incorrect accounting for assets in the municipal records. As such, there is a need to perform in-depth analysis of general expenses and Grants and subsidies paid expenditure elements. The extent of sustainability of revenue and the ability to increase the revenue base is, at this stage under scrutiny, thus increasing the risk of affordability of the operational expenses moving forward. An urgent understanding of these expenses and how they can best be managed is necessary to ensure that the municipality remains a financially viable. However, the situation is not as dire as it appear, also taking into account the fact that an amount of R222 Million relates to depreciation of assets, which in its very nature a book entry to achieve fair presentation in our financial statements, but not the amount actually spent. The table below depicts the financial performance for the past four (4) years.

Table 19: Surplus/Deficit (2008-2011)

Year	Total Revenue	Total Expenditure	Surplus/ (Deficit)	% Increase/(Decrease)
2011	1 182 506 661	1 327 668 613	-145 161 952.00	-139%
2010	1 289 670 253	917 490 355	372 179 898.00	532%
2009	851 014 835	937 184 278	-86 169 443.00	-1143%
2008	689 944 245	681 680 815	8 263 430.00	

It is evident from the table above that there have been steady decline in the operational performance of the municipality. Although it may appear that we performed very well in 2010 as we recorded R372 Million surplus, R363.8 Million of related to the Reversal of Impairment on Uthukela Water in prior years.

2.8.6 ASSETS

The municipality has an investment of over R2.9 Billion in assets. As evident from the table below, this investment has sharply increased in the last financial year. Although the big chunk of this increase was as a result of revaluation of assets and reversal of impairment of Investment in Uthukela Water, it is worth mentioning that we have invested an amount of R203 Million in Infrastructure and other movable assets, which is a good indicator as it allows the municipality to have capacity to render service delivery to communities, that we serve.

It is disconcerting to note however that other debtors have increased by 1023% from 2008 to 2011, as it may have a negative impact on our liquidity position if not managed. We

cannot overemphasize the need to embark on a vigorous debt recovery drive to curb the situation from deteriorating further. The table below provides an overview of our assets trends during the past 4 years.

Table 20: Assets (2008 – 2011)

ITEM	2011	2010	2009	2008
Assets	2 993 115 025	2 595 626 608	2 131 961 638	545 555 592
Property, Plant & Equipment	1 334 588 185	1 353 243 682	1 479 963 664	211 614 969
Cash & cash equivalents	381 792 756	422 120 521	366 053 927	246 200 993
Investment Property	165 566 900	165 566 900	162 998 936	-
Intangible Asset	700 516	325 370		
Current portion of receivables	27 390 265	30 157 455	19 773 698	18 864 939
Investments in Associate	980 845 685	458 647 828		
Long-Term Receivables	3 963 941	13 681 749	25 178 710	25 930 117
Vat	16 822 449	9 685 711	-	-
Inventory	5 977 810	6 305 437	5 353 830	5 198 147
Consumer Debtors	79 841 843	112 266 674	76 082 632	47 287 923
Other Debtors	104 704 656	23 625 281	16 329 939	9 323 443

2.8.7 INDIGENT SUPPORT AS AT 30 JUNE 2010

In terms of the Credit Control, Debt Collection and Customer Care Policy, the monthly household earnings of an indigent application is capped at R1,900 but be limited to R2,160 for old aged pensioners. The onus lies with the applicant to come forward and register for indigent support in line with the Council approved indigent policy. At 30 June 2010 there were 21 836 indigents registered for indigent support, which is an on-going process. All account holders who qualify for indigent support are encouraged to register accordingly.

2.9 SPATIAL STRUCTURE

Newcastle Municipality boundaries were delineated in terms of the Municipal Demarcation Act taking into account a number of factors including physical features of the area, population movement patterns, economic trends and social organisation of communities. As such, the boundaries are not simple administrative, but also provide a framework for regional economic development planning. This section provides a broad spatial analysis and should be read together with the Spatial Development Framework as being revised by the municipality and attached to this document as Annexure A

2.9.1 REGIONAL AND LOCAL ROAD NETWORK

Movement within Newcastle can be divided into two categories, that is:

- ✓ Movement that traverses the Municipal Area not having any settlement within the Municipal Area as a destination; and
- ✓ Movement that takes place between destinations or settlements within the Municipal Area.

With regard to the former, movements along the national road apply. For example, the N11 is used as the connecting route between Northern KwaZulu-Natal and Mpumalanga.

2.9.1.1 LOCAL ACCESS AND MOVEMENT

With regard to internal movement, a number of prominent routes can be identified. Firstly, there is a strong movement of people between Madadeni and Osizweni, the latter being the core area of the Municipal Area. Secondly, a strong movement axis exists between Madadeni and Osizweni along the MR483. Thirdly, a movement axis is found between the Newcastle CBD on other smaller settlements, such as Memel to the west and Ingogo, Charlestown and Volksrust to the north.

2.9.1.2 REGIONAL ACCESS AND MOVEMENT

Newcastle Municipality enjoys relatively good access at a national and regional scale. North-south linkages are facilitated by the N11 and east west linkages by the P483 and R34. The N11 is a primary movement and mobility corridor. It runs in a north-south direction from the N2 in Ermelo to the N3 in Ladysmith through Newcastle Town thus making the area highly accessible and well connected to the national, provincial and regional road network.

Although the SDF identifies this route a primary corridor, access to it is governed in terms of the South African National Roads Agency Limited (SANRAL) regulations. This includes limitations imposed on the number and location of direct access points and location of uses, which may be viewed as having potential to interrupt traffic flows.

Secondary corridors are the R34 which runs east from Newcastle to Utrecht and beyond to Vryheid and Richards Bay and west to Memel and Vrede as well as the R621 linking to Dannhauser. These routes all originate from the CBD. The Madadeni-Osizweni section of the road to Utrecht (MR483) has been identified as a mixed-use corridor and is to be developed with nodes of services and economic opportunities. Regional access routes are subject to the rules and regulations of the Department of Transport.

2.9.2 SETTLEMENT PATTERN

Settlement pattern in the NLM has largely followed access routes thus forming an economic system with definite interdependencies between and among various elements. However, it has also been highly influenced by the past apartheid planning and segregationist policies. The current settlement pattern reflects a continuum of settlements from a highly urban Newcastle town through peri-urban settlements in the JBC to extensive commercial farmlands with small isolated farm-dweller settlements.

2.9.2.1 URBAN AREAS

The urban component of the NLM comprises three distinct sections, namely:

- ✓ Newcastle West;
- ✓ a central industrial area; and
- ✓ Madadeni and Osizweni to the east.

An urban edge has been determined around this entire complex within which it is proposed that all future urban development takes place in order to integrate, densify and diversify it as well as to limit the loss of high yield agricultural land.

2.9.2.2 NEWCASTLE WEST

The CBD is located in Newcastle West on the southern side of the confluence of the Ncandu and Jordan Rivers. Newcastle West is predominantly residential with the northern section being the most affluent. Ribbon development runs south-eastwards from the CBD along the R34 and includes a new shopping centre, restaurants, garage and car showroom, hotels and lodges. The northern portion of Newcastle West also accommodates the show-grounds, Monte Vista Casino and Conference Centre, a golf course and technical college.

Immediately south of the CBD are the original residential areas of the town also laid out in the same gridiron pattern and home to the Newcastle Private Hospital and Newcastle Provincial Hospital, the police station and a number of home offices which have spread outwards from the CBD. South-west of the CBD are further residential suburbs.

Newcastle CBD is currently going through a process of spatial transformation. This involves three main processes, namely:

- Decentralisation of commercial and office space;
- Redevelopment; and
- Expansion of town area.

Decentralisation of commercial and office space occurs in the form of nodular development at both eastern and western entrances/gateways into Newcastle CBD. Newcastle west

development includes a number of service industries, a community commercial centre, hotels and a number of associated developments. The area is earmarked for further commercial development.

Rights have been granted for the development of regional shopping centre next to the new Casino. A new office complex has also been developed in the area while infrastructure has been laid for mixed land use development. Other developments expected in this node in future include motor-showrooms, restaurants, etc.

Redevelopment on the other hand, involves refurbishment of buildings vacant or under-utilised, because of economic downturn and relocation of offices to the new office node. This process also includes intrusion of office use, particularly professional offices, into residential areas that abut into the CBD. A number of dwelling units have been granted office use rights or are being used as offices.

Newcastle Municipality has accordingly developed strategic responses to these trends. These include Newcastle West Precinct Plan, CBD Development Plan and Newcastle South Spatial Development Plan (SDP). The latter provides for a range of residential products, mixed land use and commercial nodes. The net effect of these plans is the extension of the town built-up area, shifting of the urban edge and opening of new interface zones.

In view of its strategic location in northern KwaZulu-Natal, Newcastle is likely to remain a regional service centre unchallenged by other nearby town in the foreseeable future. Its market threshold is relatively secure but its economic and social vitality remains dependent on the state of its regional hinterland. The CBD itself has remained relatively stable.

2.9.2.3 CENTRAL INDUSTRIAL AREA

East of the CBD lies large industrial areas, the N11 and Iscor facility as well as an airfield and landfill site. The Amcor Dam and Recreation Area are also located in this area. The area occupies approximatelyha of land zoned for industrial use, of which onlyis developed. While the area accounts for a significant amount of employment opportunities in the NLM, it historically developed as a buffer between the former white only areas in the Newcastle West and the former black only townships of Madadeni and Osizweni.

2.9.2.4 MBO COMPLEX

MBO is located along P483 and comprises of the Townships of Madadeni and Osizweni, and the JBC area. Madadeni and Osizweni were laid out in the 1970s on the basis of a Master Plan developed in 1975, and reviewed in June 1985. The plan was based on the dominant planning doctrine and highly influenced by the political regime. It gave rise to a compact

linear urban form with rectilinear road network based on 3 to 4 km grid spacing of major arterials. The JBC area, which joins the Madadeni and Osizweni areas, has a more peri-urban character, consisting mainly of informal settlements. This area developed as a result of “shack farming” thus transforming the area from agriculture into an urban slum, with no formal planning. This has given rise to a complex set of land legal issues including title adjustment, beneficial occupation rights, tenancy and freehold ownership rights.

The MBO complex is characterised by poor condition of services and general lack of amenity and pleasant appearance. This robs the area of private sector investment and perpetuates dependency on Newcastle town. Urban renewal programmes being initiated in the MBO complex will address the upgrade of the public realm and improve the quality of life of the previously disadvantaged. It will also promote both public and private sector investment in the area. Access to public facilities and a safe environment are the other important aspects of quality of life that should be addressed in these areas.

2.9.3 RURAL SETTLEMENTS

The rural component of the municipality is dominated by expansive commercial farmland, which is used mainly for livestock farming and crop production. Some of the farms are affected by land reform, particularly land restitution and labour tenant, program that may lead to the creation of new settlements and erosion of agricultural land.

However, there are few established settlements on commercial farmlands. These include smaller rural settlements such as Charlestown and Ingogo. Charlestown provides basic services and functions to the surrounding agricultural areas and is identified as a tertiary node in the SDF, together with Lennoxtown. Ingogo, on the other hand, is a purely rural settlement based on its low population numbers, and is classified as a rural node, as is Leokop.

Other rural settlements are located within Ubuhlebonzinyathi Community Authority area and include settlements that generally fall within the traditional leadership of AmaHlubi in the Drycut area and Khathide along the northern boundary of the NLM.

2.9.4 FORMER MINING AREAS

A number of settlements are also located in the south-eastern portion of NLM. These settlements are scattered throughout the area and are mainly as a result of mining activity, which is concentrated along a mining belt that runs from the centre of the municipal area towards the south east. The mines have stimulated the development of numerous smaller settlements, such as Kilbarchan, Ingagane and Ballengeich. It has however impacted

negatively on the spatial structure of the Municipal area by preventing development of an integrated urban structure. Higher standards of housing and access to infrastructure are found in these formal settlements. The settlement pattern can mainly be ascribed to the mining activities and the Ingagane power station in the area, which caused the discrete pockets of settlements. These are mostly around or close to mining activities. Some of the mining activities have however been downscaled or closed down.

2.9.5 IMPACT OF POST-APARTHEID SPATIAL PLANNING

Past apartheid policies had a profound impact on the structure and functionality of the Newcastle Municipality. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development. Spatial fragmentation was implemented to effectively separate the urban complex of Newcastle west and the former dormitory suburbs of Madadeni and Osizweni. These two areas are situated at least between 15km and 35km from Newcastle central business district (CBD) in line with apartheid spatial engineering. Spatial fragmentation, referring to separate blobs of development with no linkages, has the potential to undermine the role of Newcastle in its regional context and impact negatively on its ability to perform its functions effectively and efficiently.

2.9.6 LAND USE MANAGEMENT

In terms of the Municipal Systems Act, a Land Use Management System is a legal requirement that Newcastle Municipality is obliged to meet. In response, Newcastle municipality has developed a wall-to-wall scheme as part of a comprehensive review of the existing Newcastle Town Planning Scheme, and a process towards the introduction of land use controls in areas hitherto not covered by the scheme. However, this document has not been implemented as due process is being followed to amend the Newcastle Town Planning Scheme as provided for in the KwaZulu Natal Planning and Development Act, 2008 (Act No. 6 of 2008). The Newcastle municipality has taken an incremental approach toward the implementation of the town-planning scheme in all areas, except the agricultural land. At present, Newcastle town is the only area that is covered by a Town Planning Scheme within the municipality.

2.9.7 SPATIAL TRENDS AND PATTERNS

The urban part of Newcastle Local Municipality is characterized by a highly inefficient and fractured spatial pattern inherited from the apartheid past. Historically, the town of Newcastle was divided along racial (now class lines), with the poorer communities situated

away from job and economic opportunities, and excluded from the social fabric of the town. The main residential areas for the poor – Madadeni, Osizweni and JBC area located approximately 20 to 35km from the CBD.

The following are some of the key structural elements of the MBO complex:

- ✦ Explosive low density sprawls in the form of informal and traditional settlements that have developed within the MBO area. Some of this occurs on privately owned land in the JBC complex. The direction of this development is not controlled, but accommodates people who either cannot afford formal housing in legally designated areas or who seek location closer to the urban opportunities while wanting to maintain a rural lifestyle.¹⁹⁷⁵.
- ✦ Loose character of the urban fabric epitomised by the single storey house on a plot type of development. Nearby housing projects have reproduced the same type of settlements albeit with lower level of services. High space standards applied in the provision of public facilities also contribute to the loose character of the urban fabric.
- ✦ Urban rural interface as the outer boundaries of the area adjoins onto agricultural land and rural settlements located on Ingonyama Trust land.
- ✦ Inwardly oriented discreet pockets of mono-functional developments operating in isolation. Creating separation of different land uses, particularly between residential, commercial and industrial areas.

The net effect of this situation is an inefficient disintegrated spatial system, characterised by an enormous amount of movement between the Node and surrounding areas and especially between the Newcastle CBD and the JBC complex on a daily basis.

2.10 NATURAL ENVIRONMENT

2.10.1 TERRAIN

The terrain of NLM is relatively flat. Elevation is the lowest in the eastern portion of the municipality, with more elevated relief towards the western portion of the municipality. The most urban development and industry are located on relatively flat terrain. This generally refers to the urban complex of Newcastle town and MBO complex and the industrial area located in between. The elevated relief towards the west refers to the Drakensburg range to the west and the Amajuba Mountain to the north.

2.10.2 CATCHMENTS

Newcastle is located in the catchment of the Ngagane River with Ncandu River being one of the major tributaries. The Ngagane River flows into the Buffalo River which is one of the major rivers in the Thukela Water Management Area (WMA).

Five main catchments areas form part of NLM. This includes the larger Buffalo River catchment, which ultimately forms part of the Tugela River system. These include:

- the Ngagane River where it meets the Incandu River (Ngagane Catchment);
- the Incandu River where it meets the Ngagane River (Incandu Catchment);
- the Ngagane River where it meets the Buffalo River (Additional Ngagane Catchment, which includes the upstream Incandu and Ngagane River Catchments);
- the Buffalo River at its confluence with the Ngagane River (Buffalo Catchment); and
- the Buffalo River to where it intersects with the Newcastle LM boundary (Additional Buffalo Catchment, which includes the upstream Ngagane and Incandu River Catchments).

Two significant dams were identified within the study area, namely that of the Chelmsford Dam, also known as the Ntshingwayo Dam, located to the south of Newcastle within the Ngagane River catchment, and the Zaaihoek Dam located to the north east of Newcastle within the Buffalo River catchment. In addition to this, two significant wetland systems were identified, namely the Wakkerstroom Wetland located just outside Wakkerstroom and the Boshoffsvlei Wetland located to the north east of Newcastle Town. It should be noted that legislation dictates (as per the National Water Act 36 of 1998) that wetland areas are protected and therefore development within 30 m of the wetland is prohibited.

The total flow and Mean Annual Runoff (MAR) per quaternary catchment located within the study area and above-mentioned catchments is expected to exit the Buffalo River at the south-eastern boundary of the LM boundary.

The majority of water abstracted (85%) is used for irrigation. The total area registered for irrigation is equal to 55 124ha within the NLM. The total water abstracted compared to that which is available (as per the MAR) is equal to 10.5 %.

2.10.3 WATER QUALITY

2.10.3.1 SOURCES OF WATER CONTAMINATION

The land cover indicates that a large expanse of the municipality is natural grassland with isolated thickets, natural forest, agriculture and forestry. Urban settlement is centred on the town of Newcastle, which is sited across the boundaries of the Buffalo Ngagane, Buffalo LM

and the Ngagane catchments. The residential land use comprises informal land use as well as well-established medium to low cost housing.

Noxious industry is primarily situated within the Ngagane Catchment and the Additional Buffalo River Catchment where it intersects with the Newcastle LM. The industry comprises of ore beneficiation, power stations, steel manufacturing and chemical manufacture. Mining is largely inactive in the area and isolated in the Ngagane and Buffalo LM catchments.

The potential contaminants associated with the non-point source land-use in the Newcastle LM are limited given the extensive natural grassland. The isolated nature of agriculture practises, which could have impacts such as excessive nutrient loading and suspended particles, is not considered to be significant other than in the Buffalo River.

Industrial land use is likely to be the significant impact on water quality in the region. The potential contaminants include:

- heavy metals;
- particulate matter;
- organic contaminants;
- soluble salts which translates into low oxygen levels;
- high turbidity;
- increased levels of trophic sensitivity; and
- elevated toxicity of water.

The resultant impact is the applicability of water for agricultural, domestic and ecological use. Increased water treatment costs would also be realised to facilitate potable water.

2.10.3.2 QUALITY OF WATER

The DWA results within the Newcastle LM indicate good water quality, however the river water quality is impacted by poorly performing WWTW or urban run-off by total coliforms and faecal coliforms. The industrial impact is not evident and seems to manifest through fluctuating levels of Fe, Mn, TDS and sulphate. This assessment of water quality is based on the current water quality data, however, following discussions with DWA and based on the potential contaminant sources it is suspected that the impact may be more pronounced should additional variables be analysed especially along reaches of the Ngagane River.

The Ngagane River experiences the majority of the industrial impact with several noxious industries located within this catchment. Monitoring data from DWA suggests that an impact is occurring at sampling site 188866 (immediately downstream of Siltech

operations). This is evident from TDS values deviating from upstream results and is likely associated with increased sulphate (494mg/l) content of the river from the ash dump or colliery yard in that area. These levels decrease downstream to an average of 235mg/l downstream of Arcelor Mittal Steel. The sulphate and TDS levels increase again following the confluence with the Ncandu River suggesting an impact, from either the Ncandu River, or a point source on the Ngagane River in this area.

2.10.4 GROUNDWATER

Groundwater quality is generally moderate to poor and often exceeding Class 1 of the Kempster Classification and this renders this resource mostly suitable for short-term use without sophisticated and costly treatment. There are a number of contributing factors to poor water quality, and based on the determinants exceeding Class1, the more probable sources are:

- Poor or low rates of recharge;
- Mining activities, particularly coal mining;
- Local industry;
- Farming activities.

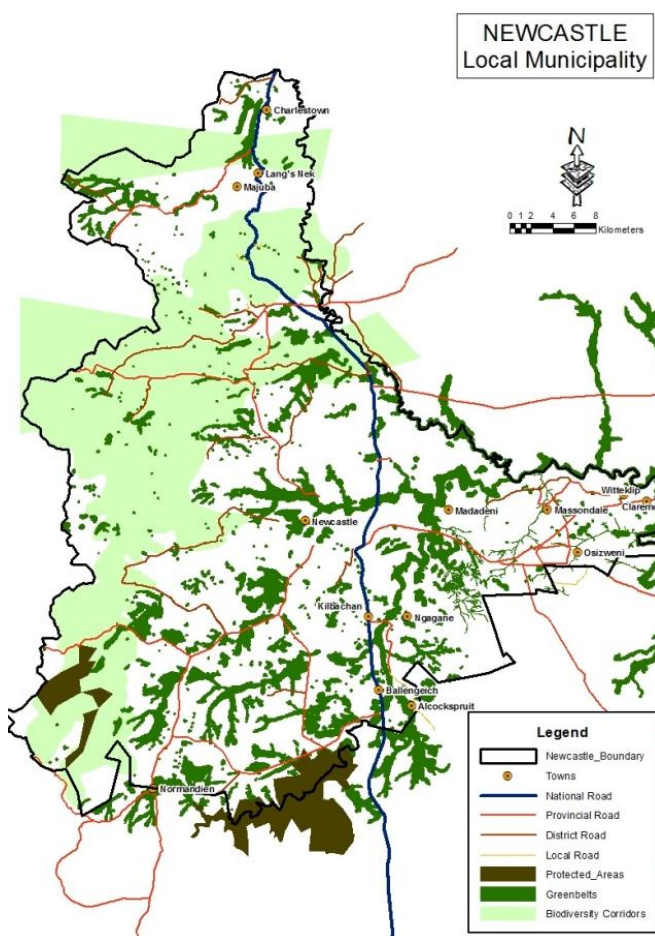
Based on first order harvest potential calculations, groundwater has the potential to service the whole of the Newcastle LM basic water needs, and thus should be considered a valuable resource. Areas of particular sensitivity are all existing groundwater resources in relation to the potential yield they may deliver, geological structures (faults, dykes and lineaments) that may act as preferential groundwater flow paths, areas of high potential production and zones of potential recharge. Groundwater quality is typically moderate to poor, however, treatment may be required and costs to purify determinants (calcium, iron, and manganese) requiring treatment are typically manageable. Sources of increased quantities of particular determinants have not been establish with any conviction, however, major sources of concern are mining activities, heavy industry, and urban areas have a high probability of altering pristine groundwater conditions in a significant manner. It is evident that there are instances of very significant groundwater supply potential when located in geo-hydrological favourable locations, and this figure is potential inflated. Data deficiencies are a concern and meaningful statistical analysis is restricted. A full and comprehensive hydro-census study should be implemented for the whole of the Local Municipality.

2.10.5 BIODIVERSITY ASSESSMENT

2.10.5.1 STATUS OF VEGETATION

Transformed land is mostly associated with cultivation, mining, urban and dense rural development, and the spread of alien trees. Although many of the 'natural' areas have been degraded to some extent, these could be classified as untransformed, i.e. the loss of biodiversity was likely to be minimal. In all, approximately 50% of the area could be classified as transformed.

Land that has been transformed is likely to have lost a large number of plant species, as well as most of the larger mammals that previously occurred in the area. Conversely the man-made irrigation dams and the wetlands that feed them might still contain a significant number of species, including some of high conservation significance. The wetlands are also likely to be important corridors for dispersal of many water-dependent species. As regards the terrestrial component, it is highly likely that the transformed land is no longer functional as a corridor.



2.10.5.2 BIODIVERSITY CORRIDORS

Aerial images were examined for assessing important ecological corridors, which are required for facilitating migration of fauna and flora in the long term. Emphasis was placed on untransformed land that spanned three or more of the Mucina & Rutherford (2006) vegetation types (The assumption in this exercise was that vegetation in good condition would have high floral diversity, thus having the potential to function as corridors and to support high faunal diversity).

While it was evident from the study that a number of areas with high levels of transformation were compromised as functional corridors, there were some contiguous

stretches of vegetation that appeared to be viable. These spanned three or more vegetation types and were considered a priority for further investigation.

The only north-south axis that represented a viable corridor was along the western boundary, but was confined to one vegetation type, namely the Low Escarpment Moist. This area has maintained a relatively untransformed vegetation condition due to the high elevations of between 200 m and 1800 m above sea level, and relatively inaccessible terrain.

The assumption was that east-west orientation of corridors was likely to be more effective, as this would encompass a significant portion of the topographic diversity and resultantly, water catchments and habitat diversity. In the case of both the recommended corridors, altitude ranged from about 2100 metres above sea level in the west to 1500 metres in the east, over a distance of under 15 km.

2.10.5.3 PRIORITY MANAGEMENT AREAS

The condition of biodiversity in the Newcastle Municipality relative to the provincial ecological statistics suggests that almost 50% (approximately 42%) of the provincial vegetation type referred to as Low Escarpment Moist Grassland is located within the Newcastle Municipality. Although this vegetation type is relatively untransformed (20% transformation) in the municipality and is therefore least threatened, the fact that it houses a large percentage of the provincial vegetation type confers high management significance for this area of biodiversity. The analysis also indicates that the endemic Northern KwaZulu Natal Moist Grassland, the near endemic Income Sandy Grassland, and the Northern Zululand Sourveld are significantly transformed in the municipality and thus all three vegetation types are recommended as critically endangered in the municipality. The biodiversity analysis results need to be translated into management areas on the ground and management actions. The key vegetation areas that are threatened are the Northern KwaZulu-Natal Moist Grassland, KwaZulu-Natal Highland Thornveld, and the Income Sandy Grassland.

3 KEY DEVELOPMENT ISSUES

3.1 REGIONAL ROLE AND SIGNIFICANCE OF NEWCASTLE

The identification of Newcastle as an important secondary investment node with potential for industry, agriculture and tourism, indicates its importance on a regional and provincial scale. Newcastle is strategically located halfway between Johannesburg and the harbours of Durban and Richards Bay, and is well connected to these centres by means of both rail and road infrastructure. The N11, P612 and the P483 are some of the roads running through the NLM serving a national, provincial and regional function.

The town serves as an administrative and economic hub for the north-western part of KwaZulu-Natal. This includes the whole of Amajuba District and some of the surrounding areas in Mpumalanga Province and Umzinyathi District. This raises a key question whether the town is developed with sufficient infrastructure and has enough capacity to play its role as a sub-regional economic hub. Some of the critical infrastructure includes tertiary education and health facilities, regional government offices and sports facilities. Equally important is the ability to create employment opportunities and absorb the urbanising labour force. Therefore, planning for the future development of the NLM should go beyond a narrow focus on local issues and incorporate regional social and economic issues.

3.2 URBANISATION – SUSTAINABLE HUMAN SETTLEMENTS

Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. An area is considered to be urbanised when over 50% of its population lives in urban places. Rate of urbanisation in Newcastle has been very rapid, resulting in the development of settlements along P483 in particular as linear settlements from KwaMathukuza through JBC to Khathide in the north.

Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. In Newcastle like many other South African Towns, apartheid has made the problems of urbanisation more complex. Urbanisation of black people was made difficult by forcing them to live in areas far from the town. With the lifting of racial restrictions on where people may live and work, many unemployed people have migrated to urban centres such as Newcastle in search of work, bringing their families with them. The shortage of accommodation in town has forced them to live in informal settlements hence the informal settlements that are spread throughout the area with huge concentrations in the eastern areas. Land under the control of Ubohle bomzinyathi Community Authority has also been specifically targeted as these areas present opportunities for a rural lifestyle in an urban context.

This presents the municipality with a challenge to devise strategies to manage the urbanisation phenomenon, and ability to undertake pro-active planning in anticipation of population growth. All housing projects undertaken to-date have been reactive.

3.3 INEFFICIENT SPATIAL STRUCTURE

While the regional economic development forces remain one of the main structuring elements within the NLM, the past apartheid policies have had a profound impact on the structure and functionality of the area. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development.

The NLM could broadly be described as an apartheid region in the sense that it embodies most if not all the attributes of apartheid spatial patterns. These include the following:

- Low density sprawl which is fuelled in the Newcastle West by anti-city values of suburbia which promotes large plots as an image of good urban living. Factors that contribute to urban sprawl includes continued existence of low density residential suburbs designed in terms of garden city concepts, and entrenched into the Town Planning Scheme through inflexible density controls and scheme clauses such as coverage, minimum site sizes and permissible uses, and easy access to land for settlement in the east.
- Cellular development pattern that occurs in relatively discrete pockets based on the introverted concept of neighbourhood unit or super block. This has given rise to a coarse grain urban environment characterized by single dwelling units and building ancillary thereto on large plots of land (garden city concept). As such there is a high impact on available land in relation to population size, and travel within the city is costly in terms of time. This gives rise to inefficiency in the use of energy, transportation and movement, and delivery of services.
- Separation of land uses, urban elements, races and income groups. The dominant land use pattern resembles a series of relatively homogenous blobs of different uses tied together by high speed transport routes. The separation of places of work and residence was deeply entrenched in the philosophy of urban management. A large number of the poor are living on the urban periphery further away from the opportunities.
- Despite businesses being attracted to decentralised locations, the central area has shown some resilience in that new businesses have moved in to occupy space vacated by those who have moved to decentralised locations. However, decay/decline is evident in some sections of the central area.

The combined consequences of these spatial patterns have been phenomenal leaving the area with entrenched inequality and functional inefficiency. It created islands of spatial affluence in a sea of geographical misery (CSIR, July 2002:4). It created a distorted, fragmented, incoherent and inefficient settlement pattern. It also gave rise to spatial, social and economic exclusion of certain race groups to the benefit of other, and created a poorly functioning land and housing market.

3.4 ECONOMIC STAGNATION

Over the last few decades, the economy of the Newcastle Municipality area of jurisdiction experienced variable trends marked, in all, by shift from one sector to the other and general decline in both output and performance. Although some mining activities are still evident in the area, it is no longer appropriate to regard Newcastle as a coal mining town. The same applies to agriculture. Both sectors have shed a number of jobs and their contribution to the local economy is at the lowest point ever. Manufacturing remains the main economic activity in the NLM, but is itself facing a number of structural challenges which if not addressed at this juncture will relegate this sector into insignificance. These challenges include the dominance of the clothing and textile sub-sector which implies the lack of economic diversity, poor labour conditions in some of the factories and lack of new investment.

In the light of this, there is an urgent need to redefine the role of Newcastle in the provincial and national economy. This may include the identification of new sectors, diversification of some existing factors and strengthening functional integration between Newcastle Town and the surrounding rural hinterland. Tourism development is also one of the key sectors that need to be explored.

3.5 POOR ACCESS TO SOCIAL FACILITIES

Huge backlogs in the delivery of public services have been identified as one of the key issues facing Newcastle Municipality. It manifests itself in the following forms:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Poor access to library services which also affects the development of a culture of learning and teaching.

- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

3.6 INFRASTRUCTURE BACKLOG

Access to basic services is one of the main elements of socio-economic wellbeing of an area. The status of the physical and economic development level of a community such as that of Newcastle is often measured based on the provision and quality of infrastructure for technical services, i.e. access to roads, electricity, water and sanitation. These are found to be a huge challenge for Newcastle Municipality whereas the town suffers from maintaining of existing services while rural areas have no basic services at all. In addition, the Newcastle Local Municipality is challenged with the maintenance and development of basic road and storm water infrastructure to serve the local community, particularly in the Newcastle East. This will be severely constrained by limited financial resources. Public transport plays an important role in the economy of Newcastle and deserves some attention in the planning efforts of the municipality.

3.7 POOR QUALITY OF THE ENVIRONMENT

The quality of the environment within the NLM requires an urgent attention. This is symbolized mainly by the following:

- Deteriorating quality of water due to mining activities, pit latrines, use of pesticides and fertilizers, and other water contaminating activities.
- Poor air quality due to emissions. Equipment for air quality monitoring is in place but has not been maintained. Closer collaboration with local industries needs to be developed in this regard.
- Urbanization which results in the establishment of settlements in areas that is unsuitable for human habitation. These include floodlines, wetlands, etc.
- Waste collection and disposal. The municipality needs to work together with local communities, particularly in the townships to develop community based programs for keeping the area clean.
- General lack of active open space in the NLM, particularly the township areas.
- Dirt roads which also contribute to a sterile environment.

3.8 FINANCIAL MANAGEMENT AND ACCOUNTING

The general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards;
- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP;
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements; and
- Financial systems not geared towards GRAP/GAMAP requirements.

In addition, the financial diagnostic report identifies the following challenges in financial administration, management and reporting within municipality:

- Lack of systems of internal controls to manage assets evidenced by asset registers not updated when acquisitions, impairments or disposals are made. Reconciliations' of the asset register to the general ledger not performed. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.
- Inadequate revenue collection systems within municipalities evidenced by low recovery of amounts owed for municipal services from consumer debtors, Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts, Lack of advice to the council on revenue enhancement mechanisms.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

3.9 HIGH RATE OF POVERTY

Poverty manifests itself in different dimensions with income poverty and human poverty being the most common. Income poverty refers to the lack of sufficient income to satisfy

basic food needs and essential non-food needs such as clothing, energy and shelter. It arises from a high rate of unemployment, poor access to productive resources, lack of marketable skills and general lack of job opportunities.

Human poverty broadly refers to the lack of basic human capabilities and it arises from high representation of the members who cannot read, write and numerate food insecurity, malnutrition, declining life expectancy, increase of sickness and deaths related to preventable diseases and poor access to basic services. Overcrowding also contributes to this situation.

3.10 IMPACT OF HIV AND AIDS

Accurate statistical information about the prevalence of HIV and AIDS in the NLM could not be obtained. However, AIDS has generally been identified as one of the key factors that will influence development over the next few decades. HIV and AIDS will lead to a range of social and economic problems including the following:

- Increase in the dependency ratio as the number of the economically active who dies of AIDS increase.
- Increase in the number of orphans, which in turn may put strain on the limited welfare budget.
- Decline of population with 20 and below years of age.
- Increase in the number of households with members who need special care and treatment thus putting burden on their families, particularly women who are often the ones who look after the sick in addition to their daily activities
- Slowing of population growth.
- Lack of income in cases where breadwinners die of AIDS.
- Low productivity rate.

3.11 DEBT MANAGEMENT

Newcastle Municipality has a total debt roll amounting to R 748 934 335. The majority of this is more than 180 days old. Individual households account for R647 851 436 of this amount while government departments owe about R23 174 411. This situation arises from a number of factors including the following:

Lack of control over excessive water leaks is the main and major contributing factor for low payment factor – where does a person start paying an account when it amounts to thousands of rands.

- Indigent using excess water – about 14100 indigent accounts have arrears of R 178 million leaving only about 7000 accounts having balances of less than R 500.
- Electricity meter audit not yet finalized – awaiting technical section report
- Lack of community and or buy in from communities
- No policies regarding water leaks other than that account is to be paid
- Need an improved customer care facility, i.e. call centre, with a proper query recording system.

However, the politicians are showing the political will to resolve this predicament by resolving that a Task Team needs to be established with a clear plan to improve the payment factor.

4 DEVELOPMENT STRATEGY

Development strategy for the NLM is designed to fit-in and give effect to the intention of both the national and provincial development strategies. This includes at a national development plan (Vision 2030) and various government programs. NLM IDP also fits within the provincial development framework as set out in the PGDS. The NLM strategy covers the following:

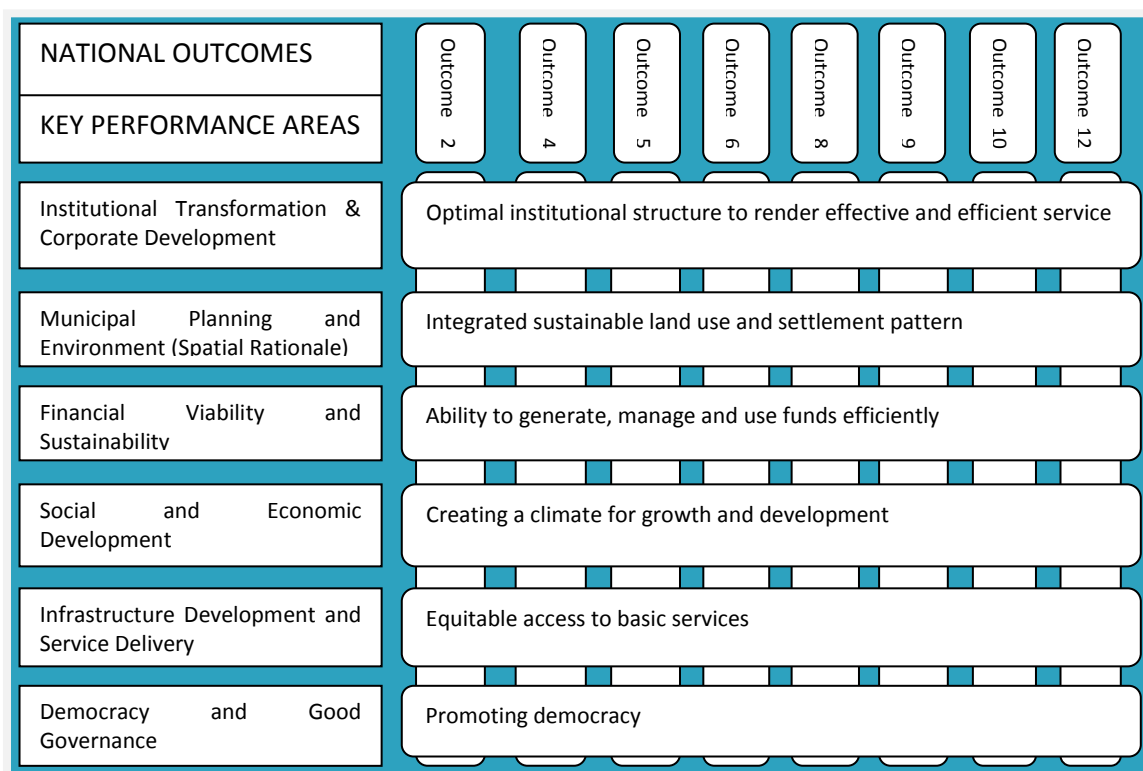
- Strategic fit (alignment with national and provincial development strategies).
- NLM long-term strategic direction and organizational culture.
- NLM short to medium term strategies and action plans.

4.1 ALIGNMENT WITH NATIONAL AND PROVINCIAL STRATEGIES

4.1.1 STRATEGIC FIT: NATIONAL

The strategic approach is meant to highlight the impact that the municipality seek to create in the short to long term period. As indicated on Figure 8 below, in addition to outcome 9, the NLM will contribute to the attainment of outcomes 2, 4, 5, 6, 8, 9, 10 and 12 with the 5 KPA as the strategic areas for intervention. As such, the development strategy for the NLM is designed to address issues that are specific to the NLM while also contributing to the attainment of the national priorities.

Figure 9: Strategy Map



4.1.2 LOCAL GOVERNMENT TURN AROUND STRATEGY

An ideal South African Municipality strives to contribute to building a developmental state as envisaged in the Constitution and outlined in various local government legislation. This includes undertaking the following activities:

- Provide democratic and accountable government for local communities
- Be responsive to the needs of the local community
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organisations in the matters of local government
- Facilitate a culture of public service and accountability amongst its staff
- Assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms.

The outcomes of meeting these objectives as identified by the Local Government Turnaround Strategy include:

- The provision of household infrastructure and services
- The creation of liveable, integrated and inclusive cities, towns and rural areas
- Local economic development
- Community empowerment and distribution

4.1.3 LOCAL GOVERNMENT OUTCOME 9

The national government has adopted an Outcomes Based Approach to development as a means to focus government initiatives and manage public expectations. Based on the Medium Term Expenditure Framework (MTEF), 12 outcomes have been identified (refer to Box). Outcome 9 deals with local government and affects Newcastle Municipality directly. It moves from a premise that local government is a key part of the reconstruction and development effort in South Africa, and that aims of democratizing society and growing the economy inclusively can only be realized through a responsive, accountable, effective and efficient local government system that is part of a developmental state. The government has identified the following outputs for Outcome 9:

- Output 1: Implement a differentiated approach to municipal financing, planning and support.
- Output 2: Improving access to basic services
- Output 3: Implementation of the Community Work Programme
- Output 4: Actions supportive of the human settlement outcome
- Output 5: Deepen democracy through a refined Ward Committee Model
- Output 6: Administrative and financial capability
- Output 7: Single window of coordination

4.1.4 STRATEGIC FIT: PROVINCIAL

The KwaZulu-Natal Province development vision is outlined in the recently introduced Provincial Growth and Development Strategy (PGDS). The PGDS is a primary strategy for KwaZulu-Natal that drives growth and development in the Province to 2030. It provides the province with a rational strategic framework for accelerated and shared economic growth through catalytic and developmental interventions, within a coherent equitable spatial development architecture, putting people first, particularly the poor and vulnerable, and building sustainable communities, livelihoods and living environments (PGDS, 2011). Concomitant attention is also given to the provision of infrastructure and services, restoring the natural resources, public sector leadership, delivery and accountability, ensuring that these changes are responded to with resilience, innovation and adaptability. The NLM IDP is formulated within the framework of the PGDS and is fully aligned with the provincial development goals.

4.1.5 POWERS AND FUNCTIONS

The following Local Government Powers and Functions as authorized to Newcastle Municipality were separated into core and non-core functions. Further allocation of powers and functions is elaborated on under institutional arrangements section.

Core/Primary		Capacity to implement (MDB)	Proposed intervention
Schedule 4 Part B	Building Regulations	Yes	None
	Electricity and Gas Reticulation	Yes	None
	Fire Fighting Services	Yes	None
	Municipal Planning	Yes	None
	Storm water Management systems in Built up areas	Yes	None
	Water and Sanitation Services	Yes	Await recommendations

			from MEC on intervention
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		Capacity to implement (MDB)	Proposed Intervention
Schedule Part B	5 Cemeteries	Yes	None
	Cleansing	Yes	None
	Municipal Roads	Yes	None
	Refuse Removal, refuse dumps and solid waste disposal	Yes	None
	Street lighting	Yes	None
	Traffic and parking	Yes	None

Table 21: Powers and Functions (non-core)

Non-core /Secondary Functions			
Schedule 4 Part B	COMMENT FROM MDB(District Wide)	Schedule 5 Part B	COMMENT FROM MDB(District Wide)
Air Pollution	None	Beaches and Amusement Facilities	Not or being poorly performed
Child Care facilities	Not or being poorly performed	Billboards and the display of advertisements in public places	None
Municipal Airports	Not or being poorly performed	Control of undertakings that sell liquor to the public	Not or being poorly performed
Municipal Health Services	None	Facilities for the accommodation, care and burial of animals	Not or being poorly performed
Municipal Public Transport	Not or being poorly performed None	Fencing and fences	None
Municipal Public Works	None	Licensing of dogs	Not or being poorly performed
Pontoons, ferries, jetties etc	Not or being poorly performed	Licensing and control of undertakings that sell food to the public	Not or being poorly performed
Trading Regulations	Not or being poorly performed	Markets	Not or being poorly performed
Local Tourism	Not or being poorly performed	Municipal Abattoirs	Not or being poorly performed
		Noise Pollution	Not or being poorly performed
		Pounds	Not or being poorly performed
		Public Places	None
		Street Trading	None
		Control of public nuisances	None
		Local Sports facilities	None

Non-core /Secondary Functions			
Schedule 4 Part B	COMMENT FROM MDB(District Wide)	Schedule 5 Part B	COMMENT FROM MDB(District Wide)
		Municipal parks and recreation	None
		Funeral parlours and crematoria	None

There is a need to initiate the process of clarifying roles and responsibilities of all internal and external stakeholders in respect of Powers and Functions at all levels. This has accordingly been prioritised in the NNTAS.

4.1.6 NEWCASTLE TURN AROUND STRATEGY

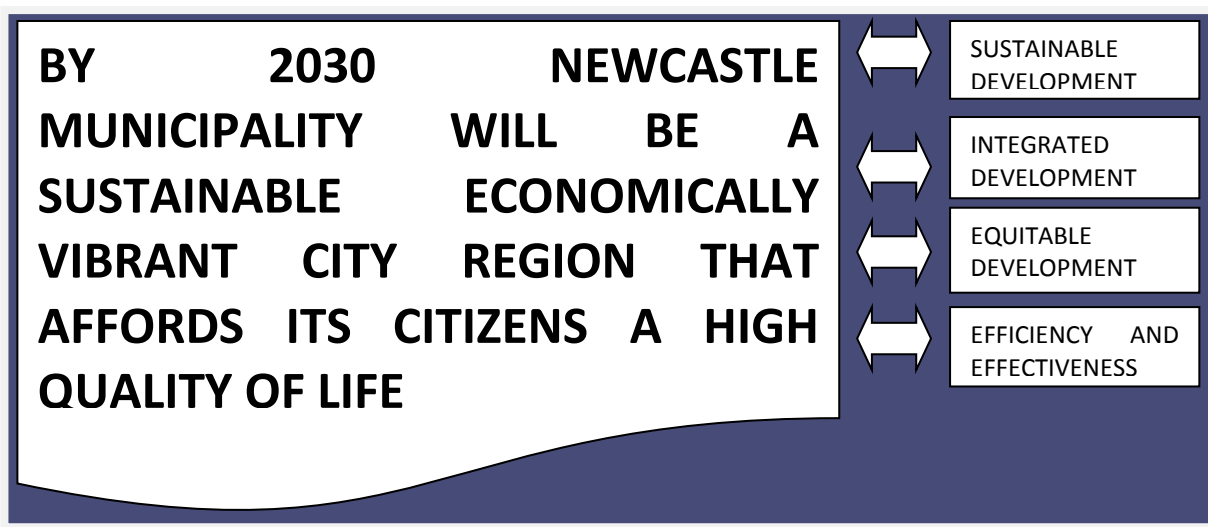
Newcastle Municipality has prioritised the following as part of the municipal turnaround strategy:

- Service Delivery (Maintenance existing levels, Rehabilitation of infrastructure and backlogs)
- Fast Track Sustainable Human Settlements through Housing and Rural Development Program
- Develop Consolidated Infrastructure Plan and Capital Investment Plan for implementation
- Debt Management – increase payment factor
 - ✓ Revenue enhancement
 - ✓ Debt Control
 - ✓ Revenue Collection
- Integration and Co-ordination (Establishment of Economic Forums)
- Clean Audit by 2014
- Intergovernmental relations
- Identify infrastructure that support economic development
- Development of Communication Strategy
- Halving poverty and unemployment by 2014

4.2 VISION, MISSION AND CORE VALUES

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

4.2.1 NEWCASTLE MUNICIPALITY DEVELOPMENT VISION



4.2.2 MISSION STATEMENT

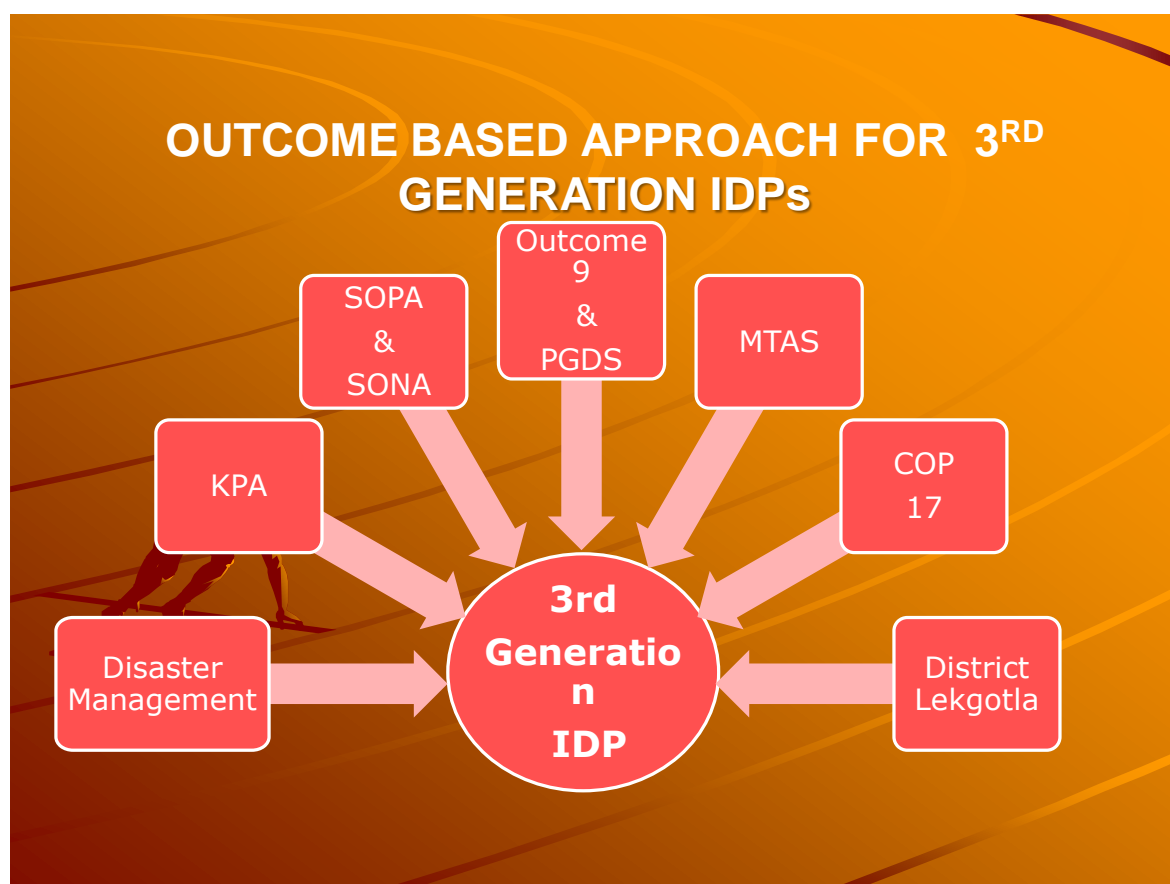
Newcastle Municipality commits to the following mission Statement:

- **Render sustainable services**
- **Creating an environment conducive to economic growth.**
- **To become the Regional Centre for Investment attraction for Northern KZN.**
- **Improve service delivery.**
- **Offer good governance and public participation.**
- **Best ITC municipality in the local government sphere**

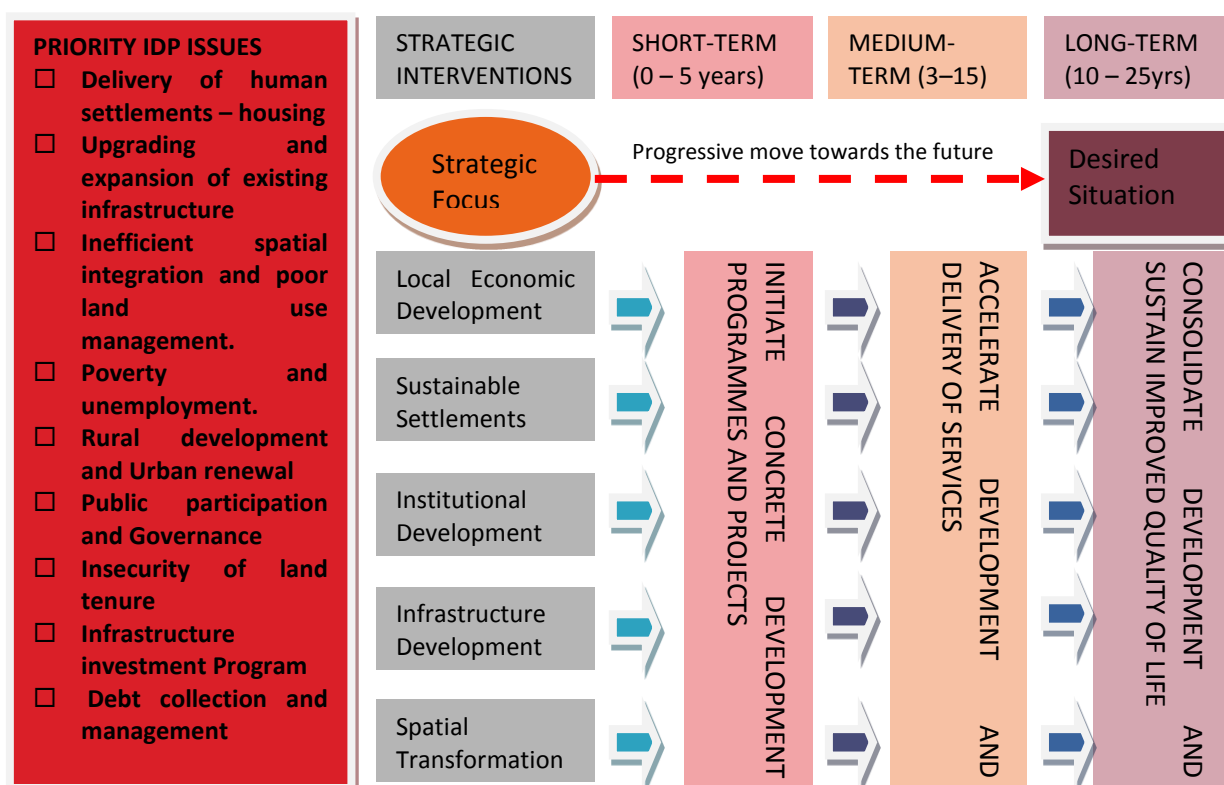
The mission statement acknowledges the objects of local government as outlined in various local government legislation and given effect through the IDP and the associated sector

plans. It also seeks to align the municipal strategic activities, structure and resource allocation with the powers and functions as prescribed in the Constitution.

4.2.3 THIRD GENERATION IDP



4.2.4 PRIORITY ISSUES AND THE DESIRED FUTURE SITUATION



4.3 IDP STRATEGIC OBJECTIVES

4.3.1 INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT

PROGRAM	STRATEGIC OBJECTIVE	ACTION PLANS	OUTPUT/ OUTCOME BASE	RESPONSIBLE DEPARTMENT
Organizational / Institutional Development	<p>To strengthen governance structures in Newcastle.</p> <p>To provide the optimal institutional structure to render effective and efficient service aligned to the IDP.</p>	<ul style="list-style-type: none"> Strengthening of portfolio committees. Review of council operational systems and procedures. Councillor training. To conduct a skills audit and develop a Skills development Plan To encourage team spirit and organizational strategy focus through incentives 	<ul style="list-style-type: none"> Improved governance. Succession Planning Conducive Working environment Staff retention Strategy Less staff turnover 	<ul style="list-style-type: none"> Administration Human Resource Corporate Services
Public participation and communication	<p>To keep the communities and stakeholders informed and involved in the affairs of the municipality.</p> <p>To improve both internal and external communication</p>	<ul style="list-style-type: none"> Development of the Public Participation Policy and a communication strategy. Capacitating of ward committees through training. Conduct Mayoral IDP/Budget roadshows Conduct IDP Forum meetings. Undertake IDP and budget road shows. Publication of a quarterly newsletter and Annual 	<ul style="list-style-type: none"> Deepened democracy. Public participation in municipal affairs. Customer satisfaction statistics & complains Accessible of municipal facilities 	<ul style="list-style-type: none"> Corporate Services IDP BTO MM

		<ul style="list-style-type: none"> report Develop and adopt a customer care help desk 		
Good Governance	<p>To run the municipality in an open, transparent and accountable manner.</p> <p>To implement the Performance Management System</p> <p>To identify strategic and operational risks facing the municipality and manage them to an acceptable level.</p>	<ul style="list-style-type: none"> Development and implementation of systems and procedures. Strengthening of management and decision making committees. Development of PMS. Ensure legislative compliance. Delegations system. Development and implementation of the risk management policy. Development and implementation of risk management strategy. Development and implementation of anti-corruption strategy and fraud prevention plan. Development and implementation of risk management implementation plan. 	<ul style="list-style-type: none"> High level of client satisfaction. Vuna Awards Batho Pele principles driven institution Strategic risk registers. Operational risk registers. Fraud risk registers. IT risks register. Establishment of risk committee Establishment of anti-corruption committee. 	<ul style="list-style-type: none"> MM Corporate Services
Administration and skills development	To establish and maintain an economical, efficient, effective and accountable administration	<ul style="list-style-type: none"> Implementation and review of the organo-gram. Promote gender equity in the workplace. 	<ul style="list-style-type: none"> Capacity to perform duties and functions. Efficiency High level of certainty from 	<ul style="list-style-type: none"> Human Resource Corporate Services MM IT Section

	<p>To develop plan and participate in knowledge sharing with other municipalities</p> <p>To provide efficient and effective internal administrative support services</p>	<ul style="list-style-type: none"> ▪ Human resource development and training. ▪ To finalize job descriptions and job evaluation processes ▪ To ensure critical positions are filled ▪ To investigate and implement an integrated IT solution ▪ Develop IT Communication policy ▪ Develop IT Change Management policy ▪ Develop IT Disaster recovery plan ▪ Develop IT policy and asset management policy ▪ Develop backup strategy 	<p>employees</p> <ul style="list-style-type: none"> ▪ Gender free environment ▪ To ensure the review and implementation of Employment Equity Plan. ▪ Technologically advanced institution & human development 	
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4.3.2 FINANCIAL VIABILITY AND SUSTAINABILITY

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT/ OUTCOME	RESPONSIBLE DEPARTMENT
Financial Management	<p>To develop and maintain systems and procedures for effective and sound management of municipal finances.</p> <p>To establish efficient treasury department</p>	<ul style="list-style-type: none"> ▪ Budget preparation and implementation Plan. ▪ Development and maintenance of Financial control systems and procedures. ▪ To deliver services strictly in line with budget provisions and authorized functions ▪ Adopt appropriate financial policies including credit control measures, expenditure control, and improved asset management. ▪ To ensure that the IDP and Budget are integrated and available funds are allocated in line with IDP Priorities ▪ To develop and implement an anti-corruption strategy ▪ Develop Debt Recovery Plan 	<ul style="list-style-type: none"> ▪ Efficiency in the management of municipal finances. ▪ Financial sustainable organization ▪ Preserved institutional reserves ▪ Sound financial management systems and legislative compliance 	<ul style="list-style-type: none"> ▪ BTO Department ▪ IDP ▪ Finance Department
Revenue generation	To ensure the collection of monies billed, and to specify procedures in respect of	<ul style="list-style-type: none"> ▪ Undertaking a land audit. ▪ Formulation of a new 	<ul style="list-style-type: none"> ▪ % increase in own revenue collection. ▪ Accountability 	<ul style="list-style-type: none"> ▪ Finance Department ▪ Development Planning & Human Settlement

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT/ OUTCOME	RESPONSIBLE DEPARTMENT
	non-payment	<ul style="list-style-type: none"> valuation policy. ▪ Development of a valuation roll. ▪ Improvement of a debt collection system ▪ To improve billing and revenue collection ▪ To develop and implement Revenue raising strategies ▪ To implement Free Basic Services to Registered Indigent households. ▪ 	<ul style="list-style-type: none"> ▪ Financial stable organization 	
Asset Management	To establish and operate an efficient asset management system.	<ul style="list-style-type: none"> ▪ Maintenance of an asset registers. ▪ Implementation of an automated asset management system. ▪ To maintain Council Property to a predetermined standard 	<ul style="list-style-type: none"> ▪ Updated assets register. ▪ To maintain and prevent deterioration of Council property 	<ul style="list-style-type: none"> ▪ Finance Department
Financial reporting	<p>To report to council, national treasury and provincial treasury on financial management matters.</p> <p>Roll out of Indigent Support Policy</p>	<ul style="list-style-type: none"> ▪ Monthly Budget Statements. ▪ Mid-Year Budget Performance and assessment ▪ Quarterly Budget Expenditure reports informing allocations ▪ Provincial Treasury 	<ul style="list-style-type: none"> ▪ Financial reports. ▪ Compliance with legislative requirements ▪ Unqualified Audit report. 	<ul style="list-style-type: none"> ▪ Finance Department ▪ MM

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT/ OUTCOME	RESPONSIBLE DEPARTMENT
		Reports. <ul style="list-style-type: none"> National Treasury Reports. Develop Indigent Register To ensure an efficient Internal Audit function 		
Supply Chain Management	To be 100% compliant with the SCM regulations.	<ul style="list-style-type: none"> Develop and review of SCM Policy To establish an efficient and fully functional Supply Chain Management Unit Strengthening of SCM committees or structures. Training of senior management on SCM regulations. Training of councillors on SCM policy. 	<ul style="list-style-type: none"> Compliance with SCM regulations. SCM capable to deliver in terms of the MFMA Unqualified Audit report for 2012/13 Clean Audit report by 2014 	<ul style="list-style-type: none"> BTO Department MM
Debt Management	To improve debt collection by ...20% per annum	<ul style="list-style-type: none"> Establish a revenue enhancement unit to oversee the implementation of the strategic interventions Revise, update and align relevant policies and bylaws to business needs and legislation to 		

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT/ OUTCOME	RESPONSIBLE DEPARTMENT
		<p>support the enhancement strategy.</p> <ul style="list-style-type: none"> • Develop a communication campaign to highlight payment for services. • Establish a Revenue Enhancement Project Steering Committee to monitor and evaluate performance in this regard. • Establish an inter-departmental revenue management steering committee to improve revenue management between departments. • Perform annual indigent audit. • Identification of staff and councillor accounts on the financial system. • Appoint dedicated staff to liaise with government businesses. 		

4.3.3 MUNICIPAL PLANNING

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
Integrated Development Planning	To develop and maintain a credible IDP.	<ul style="list-style-type: none"> Preparation and review of the IDP document. Preparation of sector plans. Public participation in respect of the IDP. Compliance with the IDP legal requirements. 	<p>Effective service delivery and governance.</p> <p>Credible IDP</p>	<ul style="list-style-type: none"> MM/ IDP and Public Participation MM
Land Use Management	<p>To promote harmonious and coordinated land use.</p> <p>Develop a uniform land use management system</p>	<ul style="list-style-type: none"> To provide efficient and effective Building control services Administration of the Town Planning Scheme. Administration of development applications. Development of Framework Plans for emerging settlement 	<p>Integrated and harmonious development.</p> <p>Amenity.</p> <p>Promote orderly development</p> <p>Development controls</p>	<ul style="list-style-type: none"> Development Planning and Human Settlements
Geographic Information System	To develop an integrated land and development information management system.	<ul style="list-style-type: none"> Acquisition of additional equipment. Staff training. Collection of information and development of database. Conduct Arial photographs Mapping of infrastructure projects on the GIS 	<p>Operational GIS.</p> <p>Effective service delivery for infrastructure and planning projects</p> <p>Bright future planning</p>	<ul style="list-style-type: none"> Planning/ Technical Services IDP
Spatial Planning and restructuring	To promote harmonious and coordinated land use.	<ul style="list-style-type: none"> Preparation of Land Use Management Framework. 	Integrated and harmonious development.	<ul style="list-style-type: none"> Development Planning & Human settlement

	<p>Spatial restructuring and integration</p> <p>Establish hierarchy of nodes</p> <p>Identify</p>	<ul style="list-style-type: none"> ▪ Review of the Newcastle Town Planning Schemes. ▪ Extension of the Newcastle Scheme to cover Madadeni and Osizweni townships ▪ Review and implementation of a Spatial Development Framework. ▪ Project-based spatial planning. ▪ To produce policies and plans which guide and manage development ▪ Development of corridors and precept plans ▪ Development of Framework Plans for economic nodes/ nodal areas ▪ Identify projects for Urban renewal ▪ Development of applications for National Treasury Grant (NDPG) ▪ Implement the Area Based Planning 	<p>Environmental Amenity and Improved the aesthetic environment</p> <p>To provide and maintain an integrated and sustainable living environment</p> <p>Densification</p> <p>Multi-Purpose Community Centres (MPCC)</p>	<ul style="list-style-type: none"> ▪ Town Planning Sub-Directorate ▪ Town Planning ▪ Town Planning
Environmental Planning and Management	<p>To promote sustainable development.</p> <p>To improve environmental awareness</p>	<ul style="list-style-type: none"> ▪ Develop the Strategic Environmental Management Plan (EMP). ▪ Undertaking Environmental Impact Assessments for municipal projects where 	<p>Sustainable development</p> <p>Environmental quality</p> <p>Preservation of environmental sensitive areas</p>	<ul style="list-style-type: none"> ▪ Community Services Department ▪ Development Planning and Human Settlement

		<p>applicable.</p> <ul style="list-style-type: none"> ▪ Liaison with the DAEA. ▪ To promote awareness through education programmes/ campaigns with the sector departments 		<ul style="list-style-type: none"> ▪ Community Services/ Planning
Refuse Removal and Waste Management	<p>To provide and ensure a safe and healthy environment</p> <p>To implementation of Waste management strategy in line with the relevant legislation</p> <p>Ensure that new strategic disposal sites are development</p>	<ul style="list-style-type: none"> ▪ To develop and review a Waste management Plan in line with the relevant legislation ▪ To provide refuse removal bags to all areas within Newcastle ▪ To develop and maintain a licensed landfill sites ▪ To ensure a litter free town ▪ Develop solid waste by-laws 	<p>Environmental quality Compliant with various legislation</p> <p>Environmental management</p> <p>Environmental awareness programs</p> <p>Improved quality of the environment</p>	<ul style="list-style-type: none"> ▪ Community Services ▪ Development Planning and Human Settlements (Town Planning)
Cemetery Services	<p>Provision of cemetery services in accordance with legislation</p>	<ul style="list-style-type: none"> ▪ To develop and implement cemetery management plan ▪ To Identify new suitable sites for cemeteries ▪ To provide sufficient equipments and machinery for cemeteries ▪ Provide fencing for cemeteries ▪ Registering of the cemeteries ▪ Create data base for the deceased 	<p>Cemetery plan</p> <p>Ensure of ground water quality</p> <p>Perform cultural rituals</p>	<ul style="list-style-type: none"> ▪ Community Services ▪ Development Planning & Human Settlement (Town Planning)

4.3.4 INFRASTRUCTURE DEVELOPMENT (SERVICE DELIVERY)

PROGRAM	STRATEGIC OBJECTIVE	OPERTAIONAL STRATEGY/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
Water and sanitation	<p>To supply appropriate sanitation and potable water to all households in Newcastle Municipality.</p> <p>To ensure that Water and Sanitation Service is rendered in an efficient and affordable manner</p> <p>To promote water conservation and environmental awareness.</p> <p>To develop the Capital Investment Program</p>	<ul style="list-style-type: none"> ▪ Coordination with Uthukela Water on the WSDP. ▪ Management of reticulation projects in urban centres. ▪ Update of water and sanitation backlog information (review of the WSDP). ▪ To develop and run a programme and educational campaign about water quality, water conservation ▪ Increase the capacity of water reservoirs ▪ To upgrade / rehabilitate existing infrastructure to address water leakages/ losses (▪ To develop and implement a Maintenance Plan ▪ To implement water conservation management program ▪ Source funding from various sector 	<p>Access to water and sanitation to RDP standards.</p> <p>Reduced water and sanitation backlog</p> <p>Water quality for clients</p> <p>Customer satisfaction</p> <p>Reduced water losses</p> <p>High water conservation</p> <p>To prevent the pollution of underground water sources</p>	<ul style="list-style-type: none"> ▪ Technical Services ▪ Technical Services ▪ Technical Services ▪ Technical Services

PROGRAM	STRATEGIC OBJECTIVE	OPERTAIONAL STRATEGY/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
		departments		
Roads and storm water	<p>To keep the municipal roads in good condition.</p> <p>To develop streets beautification and streets pavements</p>	<ul style="list-style-type: none"> ▪ Participation in the Rural Road Transportation Forum. ▪ Maintenance of municipal roads. ▪ Maintenance of storm-water drainage on municipal roads. ▪ Paying of streets ▪ Develop street precinct plans 	<p>Client satisfaction.</p> <p>Safety road standard</p> <p>Safety driving</p> <p>Safety driving</p> <p>Investment attraction</p>	<ul style="list-style-type: none"> ▪ Technical Services ▪ Technical Services
Electricity and other forms of energy.	<p>To improve access to electricity and other forms of energy where applicable.</p> <p>To Provide electricity within the Newcastle west License Areas</p> <p>To facilitate supply of electricity outside the licensed Areas with Eskom</p>	<ul style="list-style-type: none"> ▪ Support ESKOM electrification program. ▪ Alternative energy supply program. ▪ To develop and implement a ESDP ▪ To consult with and inform ESDP of ESKOM priorities ▪ To promote efficient use of electricity through 	<p>Improved access to grid energy.</p> <p>Customer satisfaction</p> <p>Efficient use of electricity</p>	<ul style="list-style-type: none"> ▪ Technical/ Electricity Section ▪ Technical/ Electricity Section

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGY/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
	To improve the electricity network in the license Area	<ul style="list-style-type: none"> educational programs Join hands with ESKOM to promote awareness 		
Housing and Land delivery	<p>To reduce housing backlog in line with the national and provincial norms and standards.</p> <p>Meet national targets for housing and SONA</p> <p>Identify strategic areas for land reform</p> <p>Develop area based plans</p> <p>Promote a variety of housing typologies and densities in and around nodal points</p> <p>Development of new residential stands</p>	<ul style="list-style-type: none"> Development and implementation of a housing plan. Management of housing projects. Liaison with the Department of Human Settlement. To develop and maintain a reliable Housing Waiting List database Develop and review the housing plan To develop business plans and package projects to access funding To identify appropriate land for housing development and land reform To facilitate the delivery of all types of housing opportunities To investigate and develop capacity for project implementation Fast-track the issue of 	<p>Reduced level of housing backlogs.</p> <p>Slums clearance/ eradication of informal settlements</p> <p>5 year strategic plan for housing development</p> <p>Promote uniform land development for housing</p> <p>Area Base Development plans</p> <p>Adequate housing development</p> <p>Detailed housing backlogs</p> <p>Five year strategic plan for housing development</p> <p>Increase rate base of the municipality</p>	<ul style="list-style-type: none"> Land and Housing Section Land and Housing Section Technical Services/ Planning

PROGRAM	STRATEGIC OBJECTIVE	OPERTAIONAL STRATEGY/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
		land purchase and land evaluations		
Refuse removal and Waste Management	<p>To keep Newcastle municipal Area clean.</p> <p>To provide and ensure a safe and healthy environment</p> <p>To implementation of Waste management strategy in line with the relevant legislation</p>	<ul style="list-style-type: none"> ▪ Refuse removal program in urban centres. ▪ To develop and review a Waste management Plan in line with the relevant legislation ▪ To develop and maintain a licensed landfill sites ▪ To ensure a litter free town ▪ Develop solid waste by-laws ▪ Community awareness program. ▪ Liaison with the District on Disaster Management. ▪ Implement waste management strategy. ▪ Identification and development of waste disposal sites 	<p>Client satisfaction.</p> <p>Improved quality of the environment.</p> <p>Litter free town</p> <p>Awards for being the cleanest town in the Province</p>	<ul style="list-style-type: none"> • Department of Community Services • Town Planning • Technical Services

4.3.5 SOCIAL DEVELOPMENT

PROGRAM	STRATEGIC OBJECTIVE	OPERATIONAL STRATEGY/ ACTION PLANS	OUTPUT	RESPONSIBLE DEPARTMENT
Vulnerable groups	To respond to the needs of the vulnerable groups. Youth and women empowerment	<ul style="list-style-type: none"> Develop Youth programs Participate on the and KWANLOGA games Participate on District games Gender programs Aged and the disabled programs. Participate in the Provincial initiatives and programs 	<p>Client satisfaction.</p> <p>Community empowerment</p> <p>Sport Council</p> <p>Developed community structures e.g. Men's Forum</p>	<ul style="list-style-type: none"> Community Services MM/ Special Programs
HIV and AIDS	To manage the effect of HIV and AIDS within Newcastle area of jurisdiction.	<ul style="list-style-type: none"> Development and implementation of a workplace HIV and AIDS management program. HIV and AIDS awareness campaigns. 	<p>Positive living.</p> <p>Acceptance of the status.</p> <p>Affected and infected numbers reduced</p>	<ul style="list-style-type: none"> Human Resources MM/Special Programs
Indigent Support Systems	To improve access to basic services.	<ul style="list-style-type: none"> Free basic services. Rates rebates and brakes. Social security grants. 	<p>Poverty alleviation.</p> <p>Community empowerment</p> <p>Meet Service Delivery targets</p>	<ul style="list-style-type: none"> Finance Department
Traffic and road safety	To improve safety and security.	<ul style="list-style-type: none"> Licensing Traffic management. Participate on road safety awareness campaign. Establish the Disaster Management Forum To improve Fire Fighting services 	<p>Public safety</p> <p>Public confidence</p> <p>Reduce accidents and road hazards</p>	<ul style="list-style-type: none"> Protection Services/ Community Services Protection Services/ Community Services

Sports and Recreation	To ensure efficient use and management of community facilities.	<ul style="list-style-type: none"> ▪ Environmental Health Services ▪ Sports, Parks and Recreation ▪ ▪ Improve Community access to Facilities (Halls, pools, libraries and amenities). 	Improved access to public services.	<ul style="list-style-type: none"> • Community Services • Community Services
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4.3.6 LOCAL ECONOMIC DEVELOPMENT

PROGRAM	STRATEGIC OBJECTIVES	OPERATIONAL STRATEGIES/ ACTION PLANS	OUTPUT/OUTCOME BASE	RESPONSIBLE DEPARTMENT
Economic governance SMME Development Program Informal Economy/ Sector Museum/ Heritage Development Tourism Development	<p>To facilitate business development and new investment.</p> <p>Stimulate investment</p> <p>To develop the infrastructure for the informal economy</p> <p>To regulate the informal economy</p> <p>Stimulate the development of tourism</p> <p>Development of Strategic Forums for economic development</p> <p>Preserve historical and cultural heritage</p> <p>To develop and implement a Tourism Strategy</p>	<ul style="list-style-type: none"> ▪ Develop the LED Strategy ▪ Affirmative procurement from the Supply Chain. ▪ Economic development by-laws (Hawkers). ▪ LED marketing and promotions. ▪ Liaison with the business community. ▪ Provide support to the operators in the informal economy. ▪ Review of the institutional framework to accommodate LED ▪ Create capacity to develop and implement business plans ▪ Engage with the public and private partners ▪ Formulation and implementation of an LED Plan/ strategy. ▪ Implement Business retention and expansion program. ▪ Management of the second economy/ informal sector ▪ Facilitate the development 	<ul style="list-style-type: none"> ▪ New investments. ▪ Business expansion opportunities. ▪ Number of SMME developed ▪ Increase rate base ▪ Little marginalized economy ▪ Protected historical monuments ▪ Well developed tourism destinations ▪ Diversified economy ▪ Private Public Partnerships ▪ Developed tourism destination centres ▪ Strengthened regional economy ▪ Private investor confidence 	<ul style="list-style-type: none"> ▪ Economic Development ▪ Economic Development ▪ Economic Development / Tourism Section ▪ Community Services

		<p>of tourism associations</p> <ul style="list-style-type: none">▪ Facilitate the transformation of tourism sector▪ Drive the marketing initiatives▪ Focus on competitive and comparative advantages in the different areas		
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5 CAPITAL INVESTMENT FRAMEWORK

5.1 THREE YEAR INVESTMENT PROGRAMME

DRAFT CAPITAL BUDGET 2012 -2015						
DEPARTMENT	SECTION	PROJECT NAME	FUNDING SOURCE	2012/2013	2013/2014	2014/2015
				DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET
Community Services	Community Services Culture and Amenities	Art Purchases	Internal Reserves	40,000	40,000	50,000
Community Services	Parks	Osizweni cricket oval (Grant Funding)	Amajuba DC	1,000,000	-	-
Community Services	Fire	Fire Station Equipment	Amajuba DC	400,000	-	-
Community Services	Culture and Amenities	Fencing Art Gallery	Internal Reserves	35,000		
Community Services	Culture and Amenities	Head Count System NWC Library	Internal Reserves	22,000		
Community Services	Culture and Amenities	Humidifier & Air conditioner Art Gallery Store room	Internal Reserves	25,000		
Community Services	Culture and Amenities	Tinting of Hall windows Fairleigh Hall	Internal Reserves	30,000		
Community Services	Culture and Amenities	Air-conditioning Unit Fort Amiel	Internal Reserves	30,000		
Community Services	Culture and Amenities	Tinting of Hall windows Madadeni Hall	Internal Reserves	40,000		
Community Services	Culture and Amenities	Fencing and Guard house Fairleigh	Internal Reserves	50,000		

Community Services	Culture and Amenities	Litter Bins Newcastle CBD	Internal Reserves	50,000		
Community Services	Protection Services	Office Renovations	Internal Reserves	100,000	100,000	100,000
Community Services	Traffic	Identification Lamps	Internal Reserves	150,000		
Community Services	Waste Management	Litter Bins Madadeni, Osizweni CBD	Internal Reserves	150,000		
Community Services	Health	Weedkill Sprayer	Internal Reserves	200,000		
Community Services	Health	SPECIALISED VEHICLE FOR IMPOUNDING OF LARGE ANIMALS	Internal Reserves	250,000	500,000	600,000
Community Services	Culture and Amenities	Airconditioning System NWC Library	Internal Reserves	500,000		
Community Services	Waste Management	Establish Drop off Centres	Internal Reserves	660,000	660,000	
Community Services	Parks	Heating of Newcastle pool, purchase of 100 chairs and 20 tables, replacing lanes and starting blocks.	Internal Reserves	1,000,000	1,000,000	1,000,000
Community Services	Waste Management	Bulk containers	Internal Reserves	1,000,000	2,500,000	3,000,000
Community Services	Parks	Fencing of playparks, paving, installation of new equipment and grassing	Internal Reserves	1,500,000	3,500,000	3,500,000
Community Services	Parks	Purchase of Brushcutters, Mowers, Kudus, Tractors	Internal Reserves	1,500,000	1,000,000	500,000
Community Services	Fire	Major Fire Appliances Replacement of old appliances)	Internal Reserves	1,800,000		
Community Services	Parks	Laying of synthetic grass for a five a side soccer tournament at Newcastle west and east.	Internal Reserves	600,000		
Community	Waste Management	Landfill site	Internal Reserves	1,800,000	110,000	2,000,000

Services						
Community Services	Parks	purchase of two office desks,four chairs and two computers	Internal Reserves	30,000		
Community Services	Parks	Landscape drawings and costing for the establishment of multifunction play parks in Newcastle East (Blaaubosch)	Internal Reserves	2,000,000	2,500,000	2,500,000
Community Services	Traffic	Leasing of laser cameras for speed law enforcement	Internal Reserves	3,000,000		
Community Services	Culture and Amenities	JBC Hall & Fence	Internal Reserves	3,500,000	29,000,000	
Community Services	Parks	Madadeni Pool (committed)	Internal Reserves	9,000,000		
Community Services	Parks	Osizweni Stadium	Internal Reserves			
Community Services	Fire	Physical Fitness Training Equipment	Internal Reserves	100,000		40,000
Community Services	Security	Installation of internal CCTV cameras at Municipal buildings linked to security control room	Internal Reserves	100,000		
Community Services	Fire	Fire Fighting and Rescue Equipment	Internal Reserves	200,000	300,000	150,000
Community Services	Health	AMBIENT AIR MONITORING STATION	Internal Reserves	50,000	30,000	30,000
Community Services	Security	Internal Access Control Management System	Internal Reserves	500,000		
Community Services	Health	ESTABLISHMENT OF PUBLIC ABLUTION	Internal Reserves	300,000		
Community Services	Health	ESTABLISHMENT OF PUBLIC ABLUTION	Internal Reserves	300,000		
Community Services	Health	ESTABLISHMENT OF PUBLIC ABLUTION				
Corporate	Administration	Extension of Municipal Offices	External Loans	63,000,000	115,000,000	24,000,000

Services						
Corporate Services	Council General	Public address system	Internal Reserves	475,000		
Corporate Services	Council General	Replace Air conditioners	Internal Reserves	150,000		
Corporate Services	IT	Supply Chain Management System	Internal Reserves		10,000,000	400,000
Corporate Services	IT	Security	Internal Reserves		120,000	60,000
Corporate Services	IT	Exchange server	Internal Reserves	1,600,000		
Corporate Services	IT	MS Projects & Visio	Internal Reserves	300,000		
Development Planning and Human Settlement	Economic Development	Hawker Stands (CBD)	Internal Reserves	750,000	1,000,000	1,000,000
Development Planning and Human Settlement	Housing and Land	Land Acquisition	Internal Reserves	8,000,000	10,000,000	10,000,000
Development Planning and Human Settlement	Housing and Land	Airport facilities refurbishment	Internal Reserves	500,000	350,000	350,000
Development Planning and Human Settlement	Housing and Land	Refurbishment of Jacaranda Flats	Internal Reserves	1,000,000		
Development Planning and Human Settlement	Town Planning	GIS Hardware	Internal Reserves	200,000	50,000	100,000

Development Planning and Human Settlement	Town Planning	GIS Software	Internal Reserves	200,000		
Development Planning and Human Settlement	Economic Development	Brick Manufacturing Yard	Internal Reserves	1,000,000		
Development Planning and Human Settlement	Town Planning	Auto Cad	Internal Reserves	120,000		
Development Planning and Human Settlements	Economic Development	Ingogo Fresh Produce Market	COGTA (Corridor funding)	4,000,000	-	-
Budget & Treasury	Financial Services	FURNITURE & EQUIPMENT	Internal Reserves	2,000,000	2,000,000	2,000,000
Budget & Treasury	Data Processing	FINANCIAL SYSTEM	Internal Reserves	4,000,000		-
Technical Services	Water Services Authority	Normandien Basic Water Services	COGTA (Massification fund)	1,000,000		
Technical Services	Water Services Authority	Ingogo Basic Water Services	COGTA (Massification fund)	2,000,000		
Technical Services	Water Services Authority	Charlestown Basic Water Services	COGTA (Massification fund)	2,000,000		
Technical Services	Project Management Unit	TRAFFIC CALMING DEVICE	Internal Reserves	600,000	600,000	600,000
Technical Services	Project Management Unit	REHABILITATION OF AYLIF STREET	Internal Reserves	3,039,857	-	-
Technical Services	Project Management Unit	RE OPENING AND CONSTRUCTION OF DRAPER STREET	Internal Reserves	4,629,432		
Technical Services	Project Management Unit	Kirkland/Hardwick completion	Internal Reserves	1,500,000		

Technical Services	Project Management Unit	TRAFFIC SIGNS : SAFETY DEVICE	Internal Reserves	50,000	50,000	50,000
Technical Services	Project Management Unit	Storm water Piping : Amajuba Mall next to Chicken Licken	Internal Reserves	2,500,000	2,500,000	-
Technical Services	Project Management Unit	PANORAMA STORMWATER PHASE 2	Internal Reserves	1,000,000	1,500,000	-
Technical Services	Project Management Unit	Aquarand Link Road	Internal Reserves	10,948,840		
Technical Services	Project Management Unit	Fencing of Madadeni offices	Internal Reserves	155,000		
Technical Services	Project Management Unit	Widening of Albert Wessels /Asiphephe road	Internal Reserves	7,219,999	7,000,000	4,000,000
Technical Services	Project Management Unit	Newcastle West: Contruction of Sidewalks	Internal Reserves	1,000,000		
Technical Services	Project Management Unit	Rehabilitation of Dongas	Internal Reserves	3,000,000	500,000	500,000
Technical Services	Project Management Unit	CONSTRUCTION OF NCANDU RIVER BRIDGE	Internal Reserves	17,000,000		
Technical Services	Project Management Unit	COMPLETION:MAYFAIR ROAD	Internal Reserves	200,000		
Technical Services	Electrical & Mechanical	Boshoek Line Upgrade	Internal Reserves	1,500,000		
Technical Services	Electrical & Mechanical	Load Control Upgrade: Townlands (next to Ferrum High School)	Internal Reserves		400,000	
Technical Services	Electrical & Mechanical	Scada Upgrade	Internal Reserves	1,000,000	1,000,000	1,000,000
Technical Services	Electrical & Mechanical	Karbochem Protection Upgrade	Internal Reserves	600,000	600,000	600,000
Technical Services	Electrical & Mechanical	132kV Links: Lennoxton	Internal Reserves	600,000		
Technical Services	Electrical & Mechanical	Meter Test Bench	Internal Reserves		600,000	
Technical Services	Electrical & Mechanical	Substation Battery Tester (1 Unit)	Internal Reserves		300,000	

Technical Services	Electrical & Mechanical	500KVA: Townlands Substation Upgrade Additional Transformer	Internal Reserves	2,500,000	#####	
Technical Services	Electrical & Mechanical	132kV Links: Signal Hill	Internal Reserves	1,300,000	1,000,000	1,000,000
Technical Services	Electrical & Mechanical	Central B New Transformer Upgrade	Internal Reserves		#####	10,000,000
Technical Services	Electrical & Mechanical	Northdowns Line Upgrade	Internal Reserves	3,500,000	3,500,000	3,500,000
Technical Services	Electrical & Mechanical	Airport Line Upgrade	Internal Reserves	4,000,000	1,500,000	
Technical Services	Electrical & Mechanical	Pluto Line Upgrade	Internal Reserves		1,200,000	
Technical Services	Electrical & Mechanical	Conversion From Hand Operated Oil Circuit Breakers into Remote Vaccum	Internal Reserves	6,500,000	#####	10,500,000
Technical Services	Electrical & Mechanical	Conversion From Oil Circuit Breakers into Remote Vaccum	Internal Reserves		#####	10,500,000
Technical Services	Electrical & Mechanical	Earls S/S Upgrading	Internal Reserves	4,500,000		
Technical Services	Electrical & Mechanical	Central B Ring to the New Mall (Cabling)	Internal Reserves	4,000,000	2,500,000	
Technical Services	Electrical & Mechanical	RTI ring to Park Homes T3	Internal Reserves		2,500,000	
Technical Services	Electrical & Mechanical	High Mast Lights	Internal Reserves	3,300,000	4,100,000	4,700,000
Technical Services	Electrical & Mechanical	Urbanising of Scott Street streetlights	Internal Reserves		2,500,000	
Technical Services	Electrical & Mechanical	Removal of Oil Switches in Mini-Subs	Internal Reserves		7,500,000	7,500,000
Technical Services	Electrical & Mechanical	Lennoxton Additional Transformer (Siyahlala Development)	Internal Reserves		#####	20,000,000
Technical Services	Electrical & Mechanical	Upgrading of 132kv lines for the entire network	Internal Reserves		#####	5,000,000
Technical Services	Project Management Unit	Osizweni Dry Cut Cemetry	Internal Reserves	3,000,000		

Technical Services	Electrical & Mechanical	LINK Road New Substation	MIG		#####	
Technical Services	Water Services Authority	Viljoenpark Bulk Services: Reservoir	MIG	13,700,000		
Technical Services	Water Services Authority	WCDM	MIG	5,000,000	5,000,000	4,000,000
Technical Services	Water Services Authority	Staffordhill Waterborne Sewerage Scheme:Phase 4	MIG	8,000,000	#####	14,000,000
Technical Services	Project Management Unit	Construction of Long bridge St	MIG	11,716,968		
Technical Services	Water Services Authority	Viljoenpark Bulk Services:Pump mains & Gravity main	MIG		4,500,000	
Technical Services	Water Services Authority	JBC Sanitation Ward 18	MIG	1,000,000		
Technical Services	Water Services Authority	JBC Sanitation Ward 6	MIG	1,000,000		
Technical Services	Water Services Authority	JBC Sanitation Ward 7	MIG	1,000,000		
Technical Services	Water Services Authority	JBC Sanitation Ward 12	MIG	1,000,000		
Technical Services	Water Services Authority	JBC Sanitation Ward 15	MIG	1,000,000		
Technical Services	Water Services Authority	JBC Sanitation Ward 16	MIG	1,000,000		
Technical Services	Water Services Authority	Osizweni E & F	MIG	4,500,000	4,500,000	-
Technical Services	Water Services Authority	Madadeni WWTP	MIG	11,450,000	#####	29,000,000
Technical Services	Project Management Unit	MB6	MIG	4,832,711		
Technical Services	Project Management Unit	MB10	MIG	5,305,206		
Technical Services	Project Management Unit	MC1	MIG			779,202
Technical Services	Project Management	MC2	MIG		787,351	

	Unit					
Technical Services	Project Management Unit	MC3	MIG	6,896,768		
Technical Services	Project Management Unit	MC10	MIG		3,158,255	
Technical Services	Project Management Unit	MC36	MIG			1,989,452
Technical Services	Project Management Unit	MC42	MIG		1,956,295	
Technical Services	Project Management Unit	MC45	MIG	1,956,295		
Technical Services	Project Management Unit	MD11	MIG		3,067,072	
Technical Services	Project Management Unit	MD20	MIG			6,225,327
Technical Services	Project Management Unit	MD23	MIG		1,243,408	
Technical Services	Project Management Unit	MD30	MIG	2,296,159		
Technical Services	Project Management Unit	ME1	MIG		704,598	
Technical Services	Project Management Unit	ME2	MIG			4,600,508
Technical Services	Project Management Unit	ME28	MIG		2,445,368	
Technical Services	Project Management Unit	ME31	MIG	1,342,880		
Technical Services	Project Management Unit	ME35	MIG		4,534,293	
Technical Services	Project Management Unit	ME38	MIG			2,926,153
Technical Services	Project Management Unit	ME30	MIG			2,735,497
Technical Services	Project Management Unit	OA90	MIG	3,539,567		

Technical Services	Project Management Unit	OA91	MIG		2,437,079	
Technical Services	Project Management Unit	OA99	MIG			1,500,379
Technical Services	Project Management Unit	OC8	MIG			878,675
Technical Services	Project Management Unit	OC8a	MIG	1,309,723		
Technical Services	Project Management Unit	OC10	MIG		2,437,079	
Technical Services	Project Management Unit	OC12	MIG			2,014,320
Technical Services	Project Management Unit	OC13	MIG			3,829,695
Technical Services	Project Management Unit	OC14	MIG		2,851,548	
Technical Services	Project Management Unit	OD9	MIG		2,478,526	
Technical Services	Project Management Unit	OE4	MIG			1,898,269
Technical Services	Project Management Unit	OE11	MIG			5,545,598
Technical Services	Project Management Unit	OE22	MIG	2,191,723		
Technical Services	Mechanical	Vehicles		5,000,000		

5.2 BUDGET ALLOCATIONS

5.2.1 DRAFT OPERATIONAL BUDGET

2012/13 DRAFT OPERATING BUDGET: SUMMARY BY STANDARD ITEM

STANDARD ITEM	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR ADJ BUDG vs DRAFT	% INCR ADJ BUDG vs ORIG
	ORIGINAL BUDGET	ACTUALS 31.12.2012	ADJUSTED BUDGET	DRAFT BUDGET 7% Service, 11.03% Elec	DRAFT BUDGET	DRAFT BUDGET		
Property Rates	- 153,175,055	- 78,544,392	- 153,175,055	- 163,897,309	- 175,370,120	- 187,646,029	7%	7%
Service Charges - Electricity	- 467,818,194	- 208,369,770	- 451,505,749	- 502,262,557	- 572,579,314	- 652,740,418	11%	7%
Service Charges - Water	- 137,606,672	- 66,095,469	- 126,670,329	- 135,503,989	- 144,989,268	- 155,138,517	7%	-2%
Service Charges - Sanitation	- 76,077,981	- 36,776,775	- 73,270,766	- 78,399,720	- 83,887,700	- 89,759,839	7%	3%
Service Charges - Refuse	- 59,922,312	- 29,747,537	- 59,350,050	- 63,504,554	- 67,949,873	- 72,706,364	7%	6%
Grants and Subsidies	- 212,158,000	- 198,628,952	- 231,073,361	- 243,357,417	- 301,202,733	- 323,342,817	5%	15%
Capital Grants and Subsidies	- 102,670,000	-	- 80,446,580	- 108,939,000	- 111,980,000	- 112,073,000	35%	6%
Interest Earned - External	-	-	-	-	-	-		
Investments	19,017,251	7,943,501	16,941,809	16,135,056	15,366,720	14,634,972	-5%	-15%
Rental of Facilities and Equipment	- 3,965,585	- 1,608,591	- 3,918,499	- 4,353,350	- 4,782,001	- 5,253,252	11%	10%

Fines	- 3,313,550	- 630,109	- 1,265,960	- 2,977,280	- 3,258,060	- 3,566,250	135%	-10%
Licenses and Permits	- 48,237	- 23,129	- 47,219	- 51,282	- 54,284	- 57,467	9%	6%
Other Revenue	- 29,302,596	- 13,826,988	- 27,158,552	- 7,356,887	- 7,777,342	- 8,220,725	-73%	-75%
TOTAL REVENUE	1,265,075,433	642,195,213	1,224,823,930	1,326,738,401	1,489,197,417	1,625,139,649	8%	5%
Employee Related Costs	247,161,638	106,585,715	223,401,210	260,219,708	280,192,876	301,704,788	16%	5%
Councilors Remuneration	17,369,630	7,748,280	15,991,700	16,871,945	20,511,840	22,063,917	6%	-3%
Bulk Purchases - Electricity	372,498,000	162,076,435	372,498,000	405,922,740	460,722,310	522,919,822	9%	9%
Contracted Services	128,226,879	71,580,157	136,871,874	137,355,666	142,849,062	148,567,924	0%	7%
Repairs and Maintenance	96,725,209	30,236,788	93,197,267	87,907,121	109,419,311	118,921,085	-6%	-9%
Bad Debts	76,039,863	38,019,931	76,039,863	83,831,067	92,399,345	101,879,502	10%	10%
Collection Costs	8,825,017	3,555,544	10,153,884	11,372,350	12,737,032	14,265,476	12%	29%
Depreciation	227,212,844	113,606,422	227,212,844	229,529,794	241,051,308	248,283,530	1%	1%
Finance Charges	13,772,163	3,134,882	9,062,100	14,468,322	14,375,182	14,287,975	60%	5%
General Expenses	290,719,778	87,278,421	252,512,710	163,469,904	196,163,884	215,780,273	-35%	-44%
TOTAL EXPENDITURE	1,478,551,021	623,822,574	1,416,941,452	1,410,948,616	1,570,422,151	1,708,674,291	0%	-5%

DEFICIT B4 WTH CAP GRANTS & DEPR	213,475,588	- 18,372,639	192,117,522	84,210,215	81,224,734	83,534,642	-56%	-61%
REVERSE CAPITAL GRANTS				108,939,000	111,980,000	112,073,000	#DIV/0!	#DIV/0!
REVERSE REVAL DEPRECIATION				196,683,234	196,683,234	196,683,234	#DIV/0!	#DIV/0!
OPERATING DEFICIT	213,475,588	- 18,372,639	192,117,522	- 3,534,019	- 3,478,500	- 1,075,592	-100%	-100%

operational: budget and treasury office (BTO)

2012/13 DRAFT OPERATING BUDGET: BUDGET & TREASURY OFFICE

	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Service, 11.03% Elec				
Property Rates Total	- 153,175,055	- 78,544,392	- 153,175,055	- 163,897,309	- 175,370,120	- 187,646,029	7%	7%
Grants and Subsidies Total	- 26,285,532	- 22,351,146	- 26,785,532	- 29,429,448	- 36,120,626	- 38,689,103	10%	12%
Other Revenue Total	- 2,370,468	- 1,154,814	- 2,411,257	- 1,708,952	- 1,811,490	- 1,920,179	-29%	-28%
TOTAL REVENUE	- 181,831,055	- 102,050,352	- 182,371,844	- 195,035,709	- 213,302,236	- 228,255,311	7%	7%
Employee Related Costs Total	28,111,402	10,366,794	25,160,493	27,564,466	29,690,277	31,980,599	10%	-2%

Contracted Services Total	1,511,580	588,796	2,670,000	2,250,000	2,340,000	2,433,600	-16%	49%
Repairs and Maintenance Total	2,904,100	7,371	22,692	24,961	27,458	30,203	10%	-99%
Depreciation Total	488,167	244,083	488,167	502,812	517,896	533,433	3%	3%
Finance Charges Total	79,579	25,759	51,519	56,670	56,109	55,554	10%	-29%
General Expenses Total	257,779	1,612,889	5,906,910	6,113,872	7,336,646	8,070,311	4%	2272%
TOTAL EXPENDITURE	33,352,607	12,845,693	34,299,781	36,512,781	39,968,386	43,103,700	6%	9%
SURPLUS	- 148,478,448	- 89,204,659	- 148,072,063	- 158,522,928	- 173,333,849	- 185,151,611	7%	7%

5.2.2 OPERATIONAL: COMMUNITY SERVICES

2012/13 DRAFT OPERATING BUDGET: COMMUNITY SERVICES								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Service, 11.03% Elec				
Service Charges - Refuse Total	-	-	-	-63,504,554	-	-	7%	6%

	59,922,312	29,747,537	59,350,050		67,949,873	72,706,364		
Grants and Subsidies Total	- 22,746,768	- 19,145,968	- 25,399,388	-29,417,383	- 34,206,298	- 36,556,144	16%	29%
Rental of Facilities and Equipment Total	- 586,437	- 216,203	- 548,421	-646,264	- 704,206	- 767,677	18%	10%
Fines Total	- 3,313,550	- 630,109	- 1,265,960	- 2,977,280	- 3,258,060	- 3,566,250	135%	-10%
Licences and Permits Total	- 41,406	- 23,129	- 40,388	- 44,041	- 46,609	- 49,331	9%	6%
Other Revenue Total	- 5,035,219	- 2,521,184	- 4,886,495	- 2,181,736	- 2,271,203	- 2,361,629	-55%	-57%
TOTAL REVENUE	- 91,645,692	- 52,284,130	- 91,490,702	-98,771,257	- 108,436,249	- 116,007,395	8%	8%
Employee Related Costs Total	113,009,308	52,544,999	102,758,198	122,289,424	131,623,638	141,673,163	19%	8%
Contracted Services Total	3,674,950	2,617,992	8,884,950	8,086,748	8,409,388	8,750,663	-9%	120%
Repairs and Maintenance Total	18,772,307	3,491,106	17,836,501	16,085,982	20,784,621	22,190,512	-10%	-14%
Bad Debts Total	4,364,594	2,182,297	4,364,594	4,801,053	5,281,159	5,809,275	10%	10%
Collection Costs Total	1,328,381	535,063	1,328,381	1,487,787	1,666,321	1,866,280	12%	12%
Depreciation Total	9,269,179	4,634,589	9,269,179	9,547,254	9,833,672	10,128,682	3%	3%
Finance Charges Total	4,383,377	1,418,874	2,837,747	3,121,522	3,090,616	3,060,016	10%	-29%
General Expenses Total	60,761,710	20,544,644	56,148,280	54,416,085	65,299,302	71,829,233	-3%	-10%
TOTAL EXPENDITURE	215,563,806	87,969,565	203,427,830	219,835,855	245,988,717	265,307,823	8%	2%

DEFICIT	123,918,114	35,685,435	111,937,128	121,064,598	137,552,468	149,300,428	8%	-2%
operational: corporate services								
2012/13 DRAFT OPERATING BUDGET: CORPORATE SERVICES								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Service, 11.03% Elec				
Grants and Subsidies Total	91,649,613	77,077,278	94,694,180	104,298,970	127,986,533	134,661,788	10%	14%
Interest Earned - External Investments Total	19,017,251	7,943,501	16,941,809	16,135,056	15,366,720	14,634,972	-5%	-15%
Rental of Facilities and Equipment Total	749,408	-	659,096	725,006	797,506	877,257	10%	-3%
Licences and Permits Total	6,831	302,789	6,831	7,241	7,675	8,136	6%	6%
Other Revenue Total	1,800,911	748,403	1,557,185	377,509	399,559	422,933	-76%	-79%
TOTAL REVENUE	113,224,014	86,071,970	113,859,101	121,543,782	144,557,994	150,605,086	7%	7%
Employee Related Costs Total	17,907,655	8,499,477	18,851,129	17,287,132	18,616,747	20,048,997	-8%	-3%
Councillors Remuneration Total	17,369,630	7,748,280	15,991,700	16,871,945	20,511,840	22,063,917	6%	-3%

Contracted Services Total	535,612	-	535,612	-	-	-	-100%	-100%
Repairs and Maintenance Total	4,779,715	709,388	3,282,823	4,778,904	3,563,399	3,548,907	46%	0%
Bad Debts Total	11,065,187	5,532,594	11,065,187	12,171,706	13,388,876	14,727,764	10%	10%
Collection Costs Total	4,387,365	1,768,085	4,387,365	4,913,849	5,503,511	6,163,932	12%	12%
Depreciation Total	980,070	490,035	980,070	1,009,472	1,039,756	1,070,949	3%	3%
Finance Charges Total	3,535	1,395,023	2,289	4,502,530	4,457,950	4,413,812	196644%	127270%
General Expenses Total	51,155,137	20,310,932	55,824,601	29,284,166	35,140,999	38,655,099	-48%	-43%
TOTAL EXPENDITURE	108,183,906	43,663,768	110,920,775	90,819,703	102,223,079	110,693,376	-18%	-16%
SURPLUS	5,040,108	42,408,203	2,938,326	30,724,079	42,334,915	39,911,709	946%	510%

5.2.3 OPERATIONAL: MUNICIPAL MANAGER'S OFFICE

2012/13 DRAFT OPERATING BUDGET: MUNICIPAL MANAGER								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG

	BUDGET	31.12.2012		7% Service, 11.03% Elec				
Grants and Subsidies Total	150,000	-	-	-	-	-	#DIV/0!	-100%
Other Revenue Total	132,340	66,170	132,340	-	-	-	-100%	-100%
TOTAL REVENUE	282,340	66,170	132,340	-	-	-	-100%	-100%
Employee Related Costs Total	15,938,282	7,491,664	13,869,325	18,560,728	20,002,310	21,556,190	34%	16%
Contracted Services Total	535,000	87,561	535,000	536,400	557,856	580,170	0%	0%
General Expenses Total	15,208,808	3,594,689	17,603,069	15,919,525	19,103,429	21,013,772	-10%	5%
Repairs and Maintenance Total	10,100	1,499	10,600	11,024	11,465	11,924	4%	9%
TOTAL EXPENDITURE	31,692,190	11,175,414	32,017,995	35,027,677	39,675,061	43,162,056	9%	11%
DEFICIT	31,409,850	11,109,244	31,885,655	35,027,677	39,675,061	43,162,056	10%	12%

5.2.4 OPERATIONAL: PLANNING AND DEVELOPMENT

2012/13 DRAFT OPERATING BUDGET: PLANNING & DEVELOPMENT								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Service, 11.03% Elec				
Grants and Subsidies Total	-	3,506,437	3,073,215	-	4,179,000	7,349,000	-100%	#DIV/0!
Capital Grants and Subsidies Total	-	-	7,156,454	8,900,000	10,000,000	2,648,000	24%	#DIV/0!
Rental of Facilities and Equipment Total	-	-	-	-	-	-	-	-
	2,241,554	1,089,599	2,710,983	2,982,081	3,280,289	3,608,318	10%	33%
Other Revenue Total	-	-	-	-	-	-	-	-
	1,286,974	622,694	1,286,974	413,850	455,240	500,771	-68%	-68%
TOTAL REVENUE	-	-	-	-	-	-	-	-
	3,528,528	5,218,729	14,227,626	12,295,931	17,914,529	14,106,089	-14%	248%
Employee Related Costs Total	20,029,740	11,072,327	19,953,276	24,803,378	26,715,925	28,776,455	24%	24%
Contracted Services Total	610,650	25,850	583,755	777,436	808,533	840,875	33%	27%
Repairs and Maintenance Total							9%	15%

	2,585,482	529,123	2,728,582	2,966,259	3,193,766	3,451,715		
Depreciation Total	596,868	298,434	596,868	615,338	634,419	654,134	3%	3%
Finance Charges Total	1,096,212	427,918	855,836	941,420	982,210	1,027,607	10%	-14%
General Expenses Total	13,548,278	6,050,063	17,137,728	14,774,885	17,729,862	19,502,848	-14%	9%
TOTAL EXPENDITURE	38,467,230	18,403,715	41,856,046	44,878,716	50,064,715	54,253,633	7%	17%
DEFICIT B4 WTH CAP GRANTS	34,938,702	13,184,986	27,628,420	32,582,786	32,150,186	40,147,545	18%	-7%
REVERSE CAPITAL GRANTS	-	-		8,900,000	10,000,000	2,648,000	#DIV/0!	#DIV/0!
OPERATING DEFICIT	34,938,702	13,184,986	27,628,420	41,482,786	42,150,186	42,795,545	50%	19%

5.2.5 OPERATIONAL: TECHNICAL SERVICES

2012/13 DRAFT OPERATING BUDGET: TECHNICAL SERVICES								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
STANDARD ITEM	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Service, 11.03% Elec				

Service Charges - Electricity Total	467,818,194	208,369,770	451,505,749	502,262,557	572,579,314	652,740,418	11%	7%
Service Charges - Water Total	137,606,672	66,095,469	126,670,329	135,503,989	144,989,268	155,138,517	7%	-2%
Service Charges - Sanitation Total	76,077,981	36,776,775	73,270,766	78,399,720	83,887,700	89,759,839	7%	3%
Grants and Subsidies Total	71,326,087	76,548,123	81,121,047	80,211,616	98,710,277	106,086,782	-1%	12%
Capital Grants and Subsidies Total	102,670,000	-	73,290,126	100,039,000	101,980,000	109,425,000	36%	-3%
Rental of Facilities and Equipment Total	388,186	-	-	-	-	-	#DIV/0!	-100%
Other Revenue Total	18,676,684	8,713,724	16,884,300	2,674,841	2,839,850	3,015,213	-84%	-86%
TOTAL REVENUE	874,563,804	396,503,862	822,742,317	899,091,722	1,004,986,410	1,116,165,769	9%	3%
Employee Related Costs Total	52,165,251	22,368,849	42,808,789	49,714,580	53,543,978	57,669,385	16%	-5%
Bulk Purchases - Electricity Total	372,498,000	162,076,435	372,498,000	405,922,740	460,722,310	522,919,822	9%	9%
Contracted Services Total	121,359,087	68,259,957	123,662,557	125,705,082	130,733,285	135,962,616	2%	4%
Repairs and Maintenance Total	67,673,505	25,498,300	69,316,069	64,039,991	81,838,602	89,687,823	-8%	-5%
Bad Debts Total	60,610,082	30,305,041	60,610,082	66,858,308	73,729,310	81,342,464	10%	10%
Collection Costs Total	3,109,271	1,252,395	4,438,138	4,970,714	5,567,200	6,235,264	12%	60%
Depreciation Total	215,878,560	107,939,280	215,878,560	217,854,917	229,025,564	235,896,331	1%	1%

Finance Charges Total	8,209,460	2,657,354	5,314,709	5,846,180	5,788,297	5,730,987	10%	-29%
General Expenses Total	149,788,066	29,406,807	99,892,122	42,961,371	51,553,646	56,709,010	-57%	-71%
TOTAL EXPENDITURE	1,051,291,282	449,764,418	994,419,026	983,873,883	1,092,502,193	1,192,153,703	-1%	-6%

5.2.6 OPERATIONAL BUDGET: ALL DEPARTMENTS

2012/13 DRAFT OPERATING BUDGET: PER DEPARTMENT								
	2011/2012	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	% INCR	% INCR
DEPARTMENT	ORIGINAL	ACTUALS	ADJUSTED BUDGET	DRAFT BUDGET	DRAFT BUDGET	DRAFT BUDGET	ADJ BUDG vs DRAFT	ADJ BUDG vs ORIG
	BUDGET	31.12.2012		7% Services, 11.03% Elec				
BUDGET & TREASURY OFFICE	181,831,055	102,050,352	182,371,844	195,035,709	213,302,236	228,255,311	7%	7%
COMMUNITY SERVICES	91,645,692	52,284,130	91,490,702	98,771,257	108,436,249	116,007,395	8%	8%
CORPORATE SERVICES	113,224,014	86,071,970	113,859,101	121,543,782	144,557,994	150,605,086	7%	7%
MUNICIPAL MANAGER	282,340	66,170	132,340	-	-	-	-100%	-100%
PLANNING & DEVELOPMENT	3,528,528	5,218,729	14,227,626	12,295,931	17,914,529	14,106,089	-14%	248%

TECHNICAL SERVICES	- 874,563,804	- 396,503,862	- 822,742,317	- 899,091,722	- 1,004,986,410	- 1,116,165,769	9%	3%
TOTAL REVENUE	- 1,265,075,433	- 642,195,213	- 1,224,823,930	- 1,326,738,401	- 1,489,197,417	- 1,625,139,649	8%	5%
BUDGET & TREASURY OFFICE	33,352,607	12,845,693	34,299,781	36,512,781	39,968,386	43,103,700	6%	9%
COMMUNITY SERVICES	215,563,806	87,969,565	203,427,830	219,835,855	245,988,717	265,307,823	8%	2%
CORPORATE SERVICES	108,183,906	43,663,768	110,920,775	90,819,703	102,223,079	110,693,376	-18%	-16%
MUNICIPAL MANAGER	31,692,190	11,175,414	32,017,995	35,027,677	39,675,061	43,162,056	9%	11%
PLANNING & DEVELOPMENT	38,467,230	18,403,715	41,856,046	44,878,716	50,064,715	54,253,633	7%	17%
TECHNICAL SERVICES	1,051,291,282	449,764,418	994,419,026	983,873,883	1,092,502,193	1,192,153,703	-1%	-6%
TOTAL EXPENDITURE	1,478,551,021	623,822,574	1,416,941,452	1,410,948,615	1,570,422,151	1,708,674,291	0%	-5%
DEFICIT B4 WTH CAP GRANTS & DEPR	213,475,588	- 18,372,639	192,117,522	84,210,214	81,224,734	83,534,642	-56%	-61%
REVERSE CAPITAL GRANTS	-		-	108,939,000	111,980,000	112,073,000	#DIV/0!	#DIV/0!
REVERSE REVAL DEPRECIATION	-		-	196,683,234	196,683,234	196,683,234	#DIV/0!	#DIV/0!
		-		-	-	-		
OPERATING DEFICIT	213,475,588	18,372,639	192,117,522	3,534,020	3,478,500	1,075,592	-102%	-102%

5.2.7 DORA ALLOCATION TO NEWCASTLE MUNICIPALITY

GRANT DESCRIPTION	OPERATING / CAPITAL	GRANT PURPOSE	2011/12 ALLOCATION	2012/13 ESTIMATE	2013/14 ESTIMATE	2014/15 ESTIMATE
Equitable Share	Opex	Recurrent	244 400 000	270 475 000	289 781 000	311 436 000
Finance Management Grant	Opex	Recurrent	1 450 000	1 500 000	1 750 000	1 750 000
Municipal Systems Improvement Grant	Opex	Recurrent	790 000	800 000	870 000	950 000
Neighbourhood Development Partnerships (Capital)	Capex	Infrastructure	12 000 000	8 900 000	10 000 000	2 648 000
Water Services Operating Subsidy	Capex	Infrastructure	12 910 000	6 182 000	0	0
Municipal Infrastructure Grant	Capex	Infrastructure	74 224 000	90 038 000	94 980 000	102 425 000
Integrated National Electrification (Municipal)	Capex	Infrastructure	8 000 000	10 000 000	7 000 000	7 000 000
Integrated National Electrification (Eskom)	Capex	Indirect	6 500 000	296 000	6 500 000	9 630 000
Water Services Operating Subsidy (In-kind)	Capex	Indirect		300 000	5 000 000	5 000 000
Neighbourhood Development Partnerships	Opex	Indirect	200 000	500 000	0	0
Expanded Public Works Programme Incentive	Opex	Incentive	1 449 000	1 875 000	0	0
Total National Allocations to NN			361 923 000	390 866 000	415 881 000	440 839 000

TOTAL NATIONALS ALLOCATIONS BY TYPE & PURPOSE

Operating Grants						
Equitable Share			244 400 000	270 475 000	289 781 000	311 436 000
Finance Management Grant			1 450 000	1 500 000	1 750 000	1 750 000
Municipal Systems Improvement Grant			790 000	800 000	870 000	950 000
Expanded Public Works Programme Incentive			1 449 000	1 875 000	0	0
Total Operation Grants			248 089 000	274 650 000	292 401 000	314 136 000
Infrastructure Grants						
Neighbourhood Development Partnerships (Capital)			12 000 000	8 900 000	10 000 000	2 648 000

GRANT DESCRIPTION	OPERATING / CAPITAL	GRANT PURPOSE	2011/12 ALLOCATION	2012/13 ESTIMATE	2013/14 ESTIMATE	2014/15 ESTIMATE
Water Services Operating Subsidy			12 910 000	6 182 000	0	0
Municipal Infrastructure Grant			74 224 000	90 038 000	94 980 000	102 425 000
Integrated National Electrification (Municipal)			8 000 000	10 000 000	7 000 000	7 000 000
Total Capital Grants			107 134 000	115 120 000	111 980 000	112 073 000
Direct National Allocations to NN Municipality			355 223 000	389 770 000	404 381 000	426 209 000
Allocations In-Kind (Indirect)						
Integrated National Electrification (Eskom)			6 500 000	296 000	6 500 000	9 630 000
Water Services Operating Subsidy (In-kind)			0	300 000	5 000 000	5 000 000
Neighbourhood Development Partnership			200 000	500 000	0	0
Total In-Kind Allocations to NN Municipality			6 700 000	1 096 000	11 500 000	14 630 000
TOTAL ALLOCATIONS TO NN			361 923 000	390 866 000	415 881 000	440 839 000

5.3 PROVINCIAL GRANTS

DRAFT CAPITAL BUDGET 2012/2013		
GRANTS		
Amajuba District Municipality	1,400,000	
Cogta (Corridor Funding)	4,000,000	
Cogta (Massification Fund)	5,000,000	
Municipal Infrastructure Fund (MIG)	90,038,000	
TOTAL COMMITTED GRANT FUNDING	100,438,000	

Funding sources		
External Loan		113,000,000
Civic Buildings	63,000,000	
Other	50,000,000	
Grants		100,438,000
MIG	90,038,000	
Amajuba	1,400,000	
Cogta (Corridor Funding)	4,000,000	
	5,000,000	
Reserves		#REF!
Equitable Share		35,000,000
TOTAL CAPITAL BUDGET 2012`13		#REF!

6 SECTOR INVOLVEMENT

6.1 DEPARTMENT OF HEALTH

WARD	PROJECT NAME	CURRENT BUDGET : 2011-2012	3 YEARS MTF/ FUTURE PROJECTS
1	New PHC fixed clinic at Ingogo	R13 million	Building of Ingogo PHC fixed clinic
6	New PHC clinic at Masondeza	TBD by Departmental Infrastructure	Building of Masondeza PHC fixed clinic once planning phase has been completed
7	Existing Osizweni 2 PHC fixed clinic	R2 million	Restructuring of Osizweni 2 PHC Fixed clinic to Maternal and Obstetrics Unit (MOU)
19	Existing Rosary PHC fixed clinic	R22 million	Revitalization of Rosary PHC fixed clinic
22	Existing Madadeni 1 PHC fixed clinic	R2 million	Restructuring of Madadeni 1 PHC fixed clinic to Maternal and Obstetrics Unit (MOU)
24	Existing Madadeni 7 PHC fixed clinic	R3 million	Upgrading of Madadeni 7 PHC fixed clinic
All Newcastle Municipality PHC fixed clinics	Expanded Public Works Project	R50 000	Cleaning and maintenance of grounds of PHC fixed clinics by cleaners to be sourced from the community and given stipend

6.2 DEPARTMENT OF TRANSPORT

WARD	PROJECT NAME / ROAD NAME	CURRENT BUDGET : 2011-2012	3 YEARS MTF/ FUTURE PROJECTS
		2011-2012	
1	Regravelling D401	2011-2012	Regravelling
1	Regravelling D459	2011-2012	Regravelling
1	Regravelling D100	2011-2012	Regravelling
1	Regravelling P213 (6km)	2011-2012	Reagravelling
1	Regravelling 377	2011-2012	Regravelling
6	Lesley	2011-2012	Regravelling
6,7,12,13,18,19,21,20,22,25	Blacktop Patching P483	2011-2012	Blacktop Patching
1	Blacktop Patching P39	2011-2012	Blacktop Patching
6,11,13,17	Blacktop Patching P241	2011-2012	Blacktop Patching
1	Blacktop Patching P210	2011-2012	Blacktop Patching
1	Road Marking P39	2011-2012	Road Marking
6,7,12,13,18,19,21,20,22,25	Road Marking 483	2011-2012	Road Marking
19	Sidewalks P483	2011-2012	Sidewalks
16	Sidewalks P296	2011-2012	Sidewalks
1	Reseal P39	2011-2012	Reseal
1	Rehab P211	2011-2012	Rehab
		2012-2013	
1	Regravelling D446	2012-2013	Regravelling
1	Regravelling P279	2012-2013	Regravelling
1	Regravelling D98	2012-2013	Regravelling
6,7,12,13,18,19,21,20,22,25	Blacktop Patching P483	2012-2013	Blacktop Patching

1	Blacktop Patching P39	2012-2013	Blacktop Patching
6,11,13,17	Blacktop Patching P241	2012-2013	Blacktop Patching
1	Blacktop Patching P210	2012-2013	Blacktop Patching
1	Road Marking P211	2012-2013	Road Marking
1	Rehab P211	2012-2013	Rehab
		2013-2014	
1	Regravelling P207	2013-2014	Regravelling
1	Regravelling P213	2013-2014	Regravelling
1	Regravelling D91	2013-2014	Regravelling
31/14	D1331	2013-2014	Regravelling
6,14	P233	2013-2014	Regravelling
1	Armco Pipe Repair P210	2013-2014	Armcor Pipe Repair
1	D100 Causeway	2013-2014	Causeway
		2014-2015	
1	D537	2014-2015	Regravelling
1	P213	2014-2015	Regravelling
1	L122	2014-2015	Regravelling
1	L145	2014-2015	Regravelling
1	D727	2014-2015	Regravelling
31/14	D1335	2014-2015	Regravelling
6,7,12,13,18,19,21,20,22,25	4 Lane Widening – P483	2014-2015	Widening Of Road

6.3 ESKOM

WARD	PROJECT NAME	CURRENT BUDGET : 2011-2012	3 YEARS MTF/ FUTURE PROJECTS
6	RIVESMITH EXT 1 & 2	2011-2012	PLAN 303 DONE 523 CONNS COMPLETE
7	DICKS HALT EXT (136)	2012-2013	
30	JACKALSPAN EXT 5 (420)	N/A	ON 3 YEAR PLAN
7	WITTEKLIP EXT 3 (910)	N/A	ON 3 YEAR PLAN
1	CHARLSTOWN	N/A	PLAN BY MINIC
22	ROOIPPOINT	N/A	PLAN BY MUNIC

6.3.1 HUMAN SETTLEMENTS

PROJECT DESCRIPTION	FUNDING SOURCE	WARD	PROJECT VALUE	FUNDING STATUS	START DATE	IMPLEMENTING AGENT	TIME FRAME/ PROJECT PERIOD	2011/2012
								CURRENT BUDGET
Madadeni H39 Housing Project 890 Units	KZN DOHS		R69 302 520.00	Approved		Mageba Projects	2012 - 2014	R69 302 520.00
Siyahlala - La Fairleigh Housing Project 1200 Units	KZN DOHS		R 93 441 600.00	Approved		UmpHEME Development	2012 - 2014	R 93 441 600.00
Emawozeni Housing Project 100 Unuits	KZN DOHS		R 7 786 800.00	not yet approved		Moteko Construction	2012-2014	R 7 786 800.00
Emawozeni Housing Project 148 Unuits	KZN DOHS		An amount for the project is not yet approved	not yet approved		Not Yet Appointed	2012-2014	An amount for the project is not yet approved

PROJECT DESCRIPTION	FUNDING SOURCE	WARD	PROJECT VALUE	FUNDING STATUS	START DATE	IMPLEMENTING AGENT	TIME FRAME/ PROJECT PERIOD	2011/2012
								CURRENT BUDGET
Osizweni E Phase 3 Housing Project 643 Units	KZN DOHS		R 13 601 000.00	approved		Not Yet Appointed	2012-2014	R 13 601 000.00
Kwamathukuza Storm Damage 1385 Units	KZN DOHS		R 104 774 474.00	approved		Motheo Construction Group	2011-2013	R 104 774 474.00
Madadeni Storm Damage (850 Units)	KZN DOHS	22/23	R 25 437 100.00	approved		Mageba Projects	2010-2012	R 25 437 100.00
Madadeni Storm Damage (800 Units)	KZN DOHS	22/23	R 29 498 400.00	approved		Stedone	2010-2012	R 29 498 400.00
Khathide Phase 2 2000 Units	KZN DOHS		R 157 092 350.00	approved		Siyamthanda Projects	2012-2014	R 157 092 350.00
Blauwbosch 2011 (Jbc Housing Project) 2011 Units	KZN DOHS	15/16/18/12	R 156 592 548.00	approved			2012-2014	R 156 592 548.00
Blauwbosch 85 (Relocation Project)	KZN DOHS	15/16/18/12	STILL TO BE DETERMINED	not yet approved		Not Yet Appointed	2012-2013	STILL TO BE DETERMINED
Charlestown Housing Project 1500 Units	KZN DOHS		R 116 802 000.00	approved		Approved By Heac	2012-2014	R 116 802 000.00
Osizweni E Phase 2 1240 Units	KZN DOHS		R 96 556 320.00	not yet approved			2012-2014	R 96 556 320.00
Madadeni Unit K Phase 2	KZN DOHS	24/20	R 18 320 000.00	approved		Newcastle	2012-2012	R 18 320 000.00

7 SPATIAL DEVELOPMENT FRAMEWORK

7.1 SPATIAL CHALLENGES

SPATIAL EQUITY refers to the fair distribution and access to land resources. It also recognises that the playing field is not always level in the competition between various land users. In order to ensure fair and equitable spatial development, it may be necessary to take special measures to remedy the disadvantages and promote equity of space in line with the principles of the Development Facilitation Act. The main responsibility of spatial equity is to ensure that all land users have the opportunity to use suited and available land to address their basic needs and requirements for *prosperity*.

SPATIAL EFFICIENCY refers to the most economical and viable means of achieving spatial development within the limitations of available resources. Efficient and strategic spatial planning should ensure the co-ordination and the resolution of conflicts between competing activities, while strengthening market access and unlocking development opportunities crucial for *economic growth*.

SPATIAL SUSTAINABILITY implies a sense of balance, between the key activities found on land. A continued balance between economic development, social development and environmental development should be sought in all development actions. Practically this will imply that cognisance should be taken of the impact of any development in any one sector on the other two sectors to ensure continued *peace* and harmony.

These challenges are crosscutting in nature and needs to be addressed within all the development sectors identified, within all of the development priorities as well as within all geographical areas of the municipality; urban as well as rural settings. Thus these three spatial challenges will form the basis of the entire Spatial Development Framework in order to achieve the municipal development vision.

7.2 SPATIAL DEVELOPMENT ISSUES AND OBJECTIVES

As indicated before, the core spatial challenges of the Spatial Development Framework would be to ensure spatial equity, efficiency and sustainability. However, current practices do not always promote these concepts and it is therefore vital to identify in which manner current trends do not impact on the achievement of these responsibilities and the eventual realization of the Vision.

The key spatial issues to be addressed can be summarized as follow:

EQUITY	EFFECIENCY	SUSTAINABILITY
<p>1. Provision, upgrading and maintenance of key distribution routes.</p> <p>2. Promotion of economic activities in closer proximity to the unemployed.</p> <p>3. Clustering of social and community facilities at more accessible points.</p> <p>4. Promotion of private sector investment in disadvantaged areas.</p> <p>5. Spatial focus of resources to redress inequalities in services standards and quality of life.</p>	<p>1. Provision, upgrading and maintenance of key distribution routes.</p> <p>2. Infill planning is required to make the delivery of services more cost effective.</p> <p>3. Stimulation of economic districts and nodes to promote sufficient market thresholds.</p> <p>4. Planning around bulk capacities to ensure more cost effective developments.</p> <p>5. Promotion of economic opportunities in close proximity to residential functions (where sustainable).</p>	<p>1. Plan service standards in line with economic and environmental affordability.</p> <p>2. Conservation and maintenance of infrastructure and resources are better than replacement.</p> <p>3. Fragmented spatial structure causes sprawl and should be countered.</p> <p>4. Planning should promote the sustainable use of resources, rather than exclusion of use.</p> <p>5. Improved land management measures to control potential conflicts are required.</p>

In order to address the above issue, a set of objectives have been formulated, based on a review of the objectives and strategies contained in the approved Newcastle Integrated Development Plan and represent a spatial refinement thereof as follow:

Development Sector	Objectives
SPATIAL DEVELOPMENT	<ul style="list-style-type: none"> Promote a compact urban structure through urban infill and densification Create a logical hierarchy of settlements to support effective service delivery Create an urban edge to contain urban sprawl
HOUSING	<ul style="list-style-type: none"> Identify sufficient land for future housing development Quantify housing backlogs and future needs Locate new housing development within a rational urban structure and urban development boundary to ensure sustainable development

Development Sector	Objectives
ENVIRONMENT	<ul style="list-style-type: none"> • Protect ecologically sensitive natural areas • Create a municipal open space system, comprising ridges, mountains, rivers and dams • Respect the flood lines of the major rivers and dams • Respect the conservation guidelines for Nature Reserves
TRANSPORT	<ul style="list-style-type: none"> • Focus urban development along major public transportation routes to establish transport corridors • Public transport access points (drop-off/ collection points) should be located at service delivery centres
SERVICE INFRASTRUCTURE	<ul style="list-style-type: none"> • Locate urban development, specifically housing development, within reach of bulk municipal services • Inform the future planning and delivery of bulk municipal services
COMMUNITY FACILITIES	<ul style="list-style-type: none"> • Settlement development must include the full range of community facilities to ensure viable and sustainable living environments • Community facilities must be clustered with business facilities in service delivery centres • Service delivery centres should be located in such a way that ensures equitable access for all communities • Community facilities must be provided according to accepted planning and development standards and guidelines

7.3 DEVELOPMENT STRATEGIES

The SDF proposes four key development strategies to help Newcastle achieve its vision of a sustainable, efficient and equitable future, and realize the spatial goals associated with this vision. These key development strategies are as follows:

- ✓ Promote urban, land use and transportation integration;
- ✓ Providing bulk infrastructure development;
- ✓ Establish equitable access to social services;
- ✓ Emphasize protection of agriculture and open spaces.

Although the current spatial pattern is inefficient and expensive, one has to admit that it is a fixed spatial pattern. Therefore, the aim should not be to alter the existing spatial structure,

but one should rather guide its future development towards a better, more efficient and more cost-effective urban structure. In short, one should start addressing the weaknesses of the spatial structure through the planning and development of its future growth. Five strategies can be adopted to achieve this:

7.3.1 STRATEGY 1: LAND USE AND TRANSPORTATION INTEGRATION

A more compact city will improve Newcastle's efficiency and sustainability by:

- ✓ helping to protect the environmentally sensitive land by reducing demand for this land;
- ✓ making better use of the City's limited resources for infrastructure investments and maintenance;
- ✓ supporting more transport options, as higher densities will provide enough people to make public transport viable; and
- ✓ offering a better, more convenient lifestyle for people who cannot drive, such as elderly, very young and disabled people, as a greater number of facilities and opportunities will be accessible by foot, bicycle or public transport.

A compact city will be achieved through introducing planning tools that contain the city's footprint and encourage responsible densification (through strategic infilling, and the intensification of land uses within the existing urban footprint, aligned with concentrations of economic activity, public transport, infrastructure and amenities). New urban development will be directed towards locations where its impact on the city's natural and built heritage will be least felt, or can be best managed, and where it is possible for sustainable human settlement to be served by the full range of urban opportunities and services. Similarly, new urban development will be expected to achieve a compact form, with appropriate planning for density, and a greater mix and intensity of land use.

In South Africa, public transportation costs make up a large proportion of household incomes, a cost that is augmented by the sprawling nature of our cities. Land use development and public transportation are therefore interlinked and affect each other greatly. Urban corridors create the optimal land use structure for the cost-effective operation of public transport systems. Public transportation works most effectively in a linear pattern, as opposed to winding its way through a widespread urban area. Such a linear land use pattern also benefits commuters, because it implies that residential settlements hug the corridor road or railway line, placing commuters within short walking distances of such public transportation termini.

One should move away from the fragmented and sprawling urban structure existing within the areas of Madadeni and Osizweni. Consolidating all the existing outlying settlements with each other and the business core area should achieve this. This can be done by filling in the unpopulated areas between these settlements with the future growth of these settlements. By doing this, the settlements will join together and towards the business core area, forming consolidated urban areas. Such an integrated urban structure will form the bases for providing cost-effective municipal services and public transportation infrastructure. It should however be noted that the position of the relatively large industrial area of Newcastle, this integration path will need to stretch fairly wide towards Ngagane or join up at Hilddrop/Arbor park.

7.3.2 STRATEGY 2: BULK INFRASTRUCTURE DEVELOPMENT

Providing bulk infrastructure can be an important tool to achieve the above-mentioned spatial pattern and will, in turn, result in cost savings when developing the bulk infrastructure. All future bulk infrastructure should be developed within the urban areas described above; because where bulk infrastructure is developed, urban development will follow. In this manner, bulk services will force future urban development into a more rational and desirable urban pattern. At the same time, the location, implementation and functioning on the bulk services network will be rationalised.

7.3.3 STRATEGY 3: EQUITABLE ACCESS TO SOCIAL SERVICES

As was mentioned, the settlements located on the outskirts of the Municipal Area are located far from the social services provided in the Newcastle core area. This result is high public transportation cost for the poor living in these areas to access these services. It is imperative that a number of these social services be provided in these outlying settlements through the development of Service Delivery Centres. A hierarchy of such SDCs, containing facilities such as clinics and community centres, will place these facilities closer to these settlements, thus making them more accessible and achieving greater urban integration.

7.3.4 STRATEGY 4: PROTECTION OF AGRICULTURE AND OPEN SPACE

A way to integrate urban areas is to deliberately protect high-potential agricultural areas and ecologically sensitive natural open spaces. By rigorously protecting such areas, urban areas are prohibited to sprawl freely and are therefore forced into denser urban agglomerations. Therefore, such an approach not only protects agriculture and the

environment, but also helps create a more rational, cost-effective and manageable urban structure.

7.4 DEVELOPMENT CONCEPT & FRAMEWORK

The aim of the Development Concept was to formulate the desired spatial structure for Newcastle. Consequently, it is important that the Development Concept adheres to the principles of land use and transportation planning. It does this for two reasons. Firstly, it proposes urban corridors aligned along public transportation routes, thus promoting higher densities along these transportation routes. Secondly, it proposes a hierarchy of Service Delivery Centres (or SDCs) along these corridors, thus creating opportunities for mixed land use around transportation bus stops and taxi ranks.

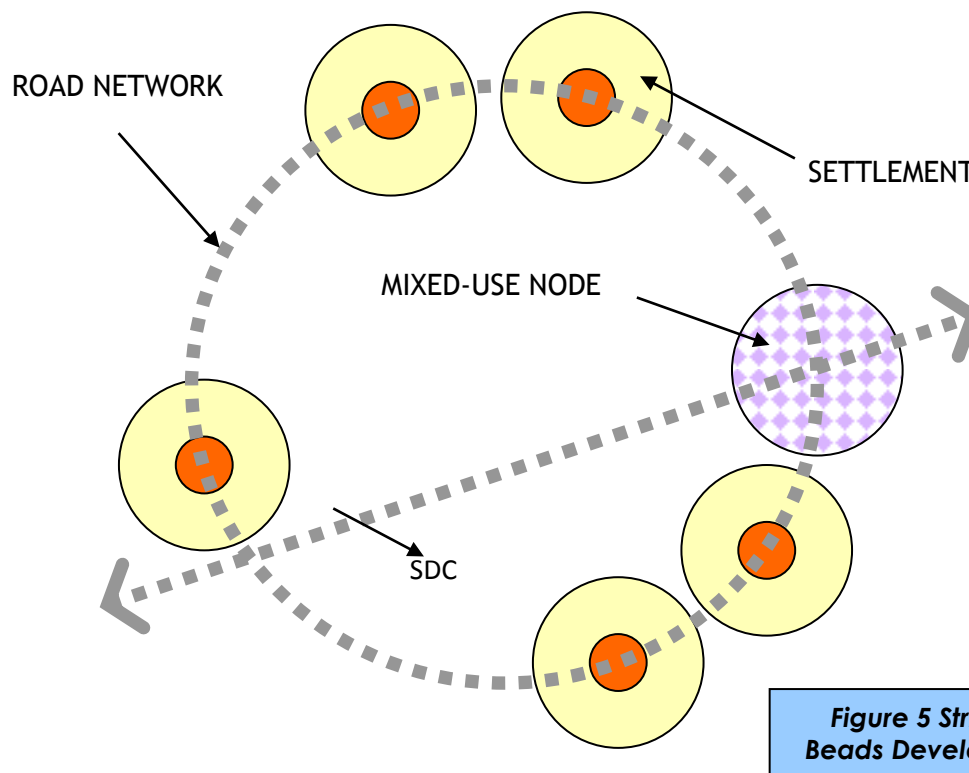


Figure 5 String of Beads Development

The spatial outcome of the Development Concept will be development corridors shapes like a string-of-beads, which concentrates development at intersections or transit stops along public transport routes. Because this configuration concentrates urban development along the transportation routes, it manages sprawl and therefore exhibits a degree of environmental and agricultural conservation.

7.4.1 SERVICE DEVELOPMENT CENTRES

Four types of SDCs are proposed for Newcastle Municipality: 1st, 2nd, 3rd order as well as Rural SDCs.

SDC TYPE	THRESHOLD POPULATION	ACCESS INTERSECTION	SDC AREA
1 st order	> 100 000	Class 3	- Newcastle CBD. - Proposed JBC CBD
2 nd order	< 100 000	Distributor & Collector	-Madadeni CBD -Osizweni CBD
3 rd order	< 20 000	Class 3 & Class 4	- Fairleigh (Siyahlalala) - Kilbarchan - Madadeni Section 2
Rural	< 10 000	Distributor	-Ingogo -Leokop -Charlestown -Ballengeigh -Normandien

Specific preferred land use outcomes at the above localities are outlined in the full SDF. These form part of the Land Use Management Guidelines required in terms of the Municipal Systems Act.

7.4.2 DEVELOPMENT CORRIDORS AND MOBILITY ROUTES

Four development corridors and Mobility Routes were identified in Newcastle. These development corridors and mobility routes must become the primary vehicles for the establishment of urban cohesion and integration, as well as become the catalysts for land use and transportation integration. The identified development corridors are as follows:

- ✓ N11 Primary Mobility Route
- ✓ R34 Secondary Mobility Route
- ✓ P483 Mixed-used Activity Corridor
- ✓ Allen Street Mixed-used corridor

7.4.3 NODAL STRUCTURE

In terms of the PSEDS Newcastle has been identified as secondary investment node with a number of nodes and potential nodes within. This can be linked to the settlement hierarchy identified in the situational analysis. This nodal structure is as follows:

Type of Node	Area
A Secondary Investment Node (PSEDS)	-Newcastle
B Secondary Node (PGDS)	-Newcastle
C Primary CBD Node (Municipal SDF)	-Newcastle CBD -Proposed JBC CBD
D Regional Multi Use Node (Municipal SDF)	-Emerging Southern Business extension (Casino Development Newcastle Mall and surroundings)
E Community Multi Use Node (Municipal SDF)	-Emerging Northern Business extension (Majuba Mall and surroundings) -Madadeni CBD -Osizweni CBD
F Neighbourhood Multi Use Nodes	-Huttenheights -Pioneer Park -Barry Hertzog Park -Ncandu Park -Arbor Park -Fairleigh -Lennoxton -Fernwood -Surayaville -Madadeni Sec D (x2) -Madadeni Sec F -Madadeni Sec P -Osizweni Sec A -Osizweni Sec B -Osizweni Sec C -Kilbarchan
G Multi Use Node	-Vlam
H Industrial Node	-Newcastle Industrial Area / Mittal / Karbochem / Madadeni Industrial
I Large Scale Mixed Use Nodes	-P483 Corridor
J Rural Nodes (Municipal SDF)	-Ingogo -Leokop -Charlestown -Ballengeich / Bosworh -Normandien
K Smaller nodes of importance: Medical Multi Use Nodes	-Newcastle Private & Provincial Hospital

Type of Node	Area
Educational Multi Use Nodes	Madadeni Provincial Hospital -Newcastle Training Centre, Madadeni Majuba FET College, NUTEC, UNISA, Damelin,
Social Multi Use Nodes	Boston College, ITB -Madadeni Section 2
L Amajuba Mountainous Nodal Policy Development Nodes (District SDF) (See Annexure 12)	-Dunblane node -Normandien Pass Node -Muller's Pass Node -Ingogo / Botha's Pass Node

7.4.4 OPEN SPACE SYSTEM

An open space system fulfils a number of functions. These functions include hazard avoidance, resource conservation, ensuring social well-being and educational. These functions of an open space system are listed in more detail in Table 6.

HAZARD AVOIDANCE	RESOURCE CONSERVATION	RECREATIONAL AND PSYCHOLOGICAL	EDUCATIONAL
Open spaces must reserve flood prone areas.	Open spaces must protect water sources.	Developed and maintained open space must be provided for recreational purposes.	Open spaces must be protected for environmental education purposes.
Open spaces must reserve steep slopes and geologically unstable ground.	Open spaces must protect linked areas of conservable indigenous vegetation.	Open space must be provided for social interaction and as symbols of community identity.	Well-equipped and designed open spaces must be provided for sport education.
Open spaces should protect drinking water sources from being contaminated.		Open spaces must be protected for psychological relief from the stresses of urban live.	

As mentioned in the situational analysis, open space and recreation within the Municipal Area can be divided into 2 categories: passive and active open space. Proposals for Newcastle urban areas are made according to these categories.

Passive open space consists of land that is unsuitable or undesirable for urban development due to certain topographical or ecological constraints. The open space system of the Municipal Area must include the following elements:

- ✓ **Water Sources:** The conservation of passive open spaces that contain watercourses is of specific importance. The natural drainage channels and banks of these rivers and dams must be protected up to the 100-year flood line. Sanitation systems must be provided in settlements located close to these water sources to avoid the pollution of these water sources by sewerage and other harmful effluents.
- ✓ **Mountainous Areas:** The tail of the Drakensburg stretches in a north-south direction across the western area of Newcastle. This mountain range is also a primary visual and structuring element within the Municipal Area. For these reasons this mountain range must be protected and form part of the municipal wide passive open space system.

Active open space involves the recreational component of the open space system. It provides sport facilities at settlements for use by local clubs and schools. Correctly located, well-developed and maintained recreation facilities can be an asset for the people of Newcastle. Formulating principles for the development of active open space can help ensure that standards of quality and usefulness are achieved in the planning, design and management of such spaces.

7.5 IMPLEMENTING THE SDF

As part of the Newcastle IDP, the SDF and its implementation is crucial to the development of the municipal area and its communities. Through the IDP, the SDF will influence budgeting and resource allocation and specific interventions will be measured through the performance management system. Practical implementation of the SDF will be achieved through the further detailed planning of special development areas and the Newcastle Land Use Management System, currently being formulated.

7.5.1 DEMARCATING AN URBAN EDGE

The introduction of urban edge principles to control the sideways expansion of urban settlements has become fairly common in the municipal environment. However the success in achieving their primary objective, however, has not been particularly good, as urban expansion sometimes still continues in an uncontrolled way, beyond the existing built-up area. These types of developments and expansion usually includes large, private

developments which seek to privatize convenience, in a variety of forms for example, golf and polo estates, eco-and other form of resort villages, retirement complexes based on the theme of retreating to the countryside, and so on, which frequently result in 'ad-hoc' sprawl; small scale incremental development by smaller developers and individual land owners, The issue of land prices and low income housing projects, informal settlements and the availability of land usually contributes to development beyond the urban edge.

The urban edge is a medium-term to long-term edge line (5-20 years) that has been demarcated to limit urban sprawl, or to protect natural resources. Demarcating an urban edge has specific advantages, the primary being to prevent uncontrolled urban sprawl. Urban sprawl is undesirable since it increases pressures on the limited resource of local government, from public transport to water and sanitation infrastructure provision and impede on valuable agricultural land. Drawing an urban edge will also protect valuable agricultural land and ecologically sensitive areas from urban encroachment. But an urban edge can also have drawbacks. For example, it can restrict the supply of land for urban development, which will inflate land prices within the urban boundary. Care should therefore be taken when demarcating an urban edge. A balance should be reached between providing enough land for urban development and the need for sustainable development.

Certain actions are however required to ensure that the urban edge are effective. These include:

- ✓ A clear demarcation of the urban edge;
- ✓ Ensure protection of land beyond the urban edge;
- ✓ Meeting the demand for growth;
- ✓ Strategic densification, urban renewal and infill planning.

An urban edge is demarcated for the Municipal Area as part of the SDF. The proposed urban edge, which is illustrated on Map 1, was demarcated using the following guiding principles:

- ✓ The containment of the urban sprawl and the promotion of infill and densification;
- ✓ Eradicating sprawl and promoting urban compaction;
- ✓ Protecting important elements within urban settlements;
- ✓ Promoting small scale agriculture;
- ✓ Avoid fragmentation of rural and wilderness landscapes;
- ✓ Maintain the dominance of agricultural and wilderness landscapes outside of urban cores;

- ✓ The creation of urban corridors along public transportation Routes;
- ✓ The future municipal housing need and associated land Required;
- ✓ The cost implications of establishing new infrastructure for new township developments;
- ✓ Taking into consideration unsafe geological conditions;
- ✓ The conservation of environmentally sensitive areas;
- ✓ The protection of high-potential agricultural land;
- ✓ Identified desired and undesired utilization of land

A guideline for the type of land uses to be allowed inside and outside of the urban edge are depicted in Table below. As a rule, the urban edge applies to all developments requiring a township establishment application.

Inside urban edge	Outside urban edge
<ul style="list-style-type: none"> • Urban settlements • Rural settlements • Business and office areas • Industrial and commercial areas • Governmental uses • Urban agriculture • Residential Areas • Public Open Space • Private Open Space • Bulk infrastructure & Servitudes 	<ul style="list-style-type: none"> • Extensive and intensive agricultural areas • Conservation areas and nature reserves • Tourism facilities and related activities • Rural services (social & economic) • Agricultural holdings • Communal farms • Mines & Quarries • Water Catchments • Bulk infrastructure & Servitudes

As Newcastle grows, the municipality will need to provide more undeveloped land for urban development, and the edge line will have to be reviewed and adjusted. These adjustments:

- ✓ must not be where natural, heritage or scenic resources merit protection;
- ✓ should facilitate the logical extension of the city's infrastructure network; and
- ✓ should allow sufficient urban development land within the edge line to accommodate at least 10 years' urban growth.

The Urban Edge for Newcastle aims to contain urban development along the development corridors proposed in the Development Concept. In addition, it largely aims to prohibit urban sprawl into the intensive agricultural areas around Ncandu River and towards the productive agricultural land. A number of existing mining settlements are located within the urban edge and can be formalized through a township establishment procedure. The land

beyond the urban edge should be earmarked for non-urban uses only that can benefit from those in close proximity to the urban core and opportunities. Existing settlements beyond the urban edge have to be acknowledged but they should be contained and their growth limited and basic services should be provided.

7.5.2 SPECIAL DEVELOPMENT AREAS

In order to give focus to the organizational activities of the NLM as it strives to achieve its developmental goals, several specific areas (or geographic localities) have been identified as Special Development Areas: - areas where the Municipality would need to prioritize its spending and resources to enhance and promote integrated development outcomes. These are proposed as: -

- The **Newcastle CBD** as a Primary CBD Node;
- The **Madadeni** CBD as a Community Multi use Node;
- The **Osizweni** CBD as a Community Multi use Node;
- The **JBC** intervention and investment area as a Primary CBD Node;
- The **Newcastle South** intervention and investment area (Equarand) as a Regional Node;
- The Kilbarchan, Ingagane & Ballengeich intervention area as a
- Neighborhood Multi Use Node.
- The **Charlestown** intervention area as a Rural Node.

In the case of the Newcastle, Madadeni and Osizweni CBD's, the Newcastle South Development Area, Kilbarchan, Ingagane & Ballengeich Area as well as Charlestown, Local Area Development Plans and urban design frameworks with more locality specific detail have been prepared and should be considered as extension of this Municipal Wide Spatial Development Framework and adopted together with the said SDF. The Charlestown LADP is in the process of being finalized and will be included within the next SDF review.

Rural Development Areas where the focus would be on development planning for livelihoods support and agricultural development. These areas are seen as key target areas for land reform, principally for land redistribution, land tenure reform and land reform for agricultural development. The principal target areas are land that is presently under pressure for settlement. The main component areas include: -

- ✓ Charlestown,
- ✓ Ngogo,

- ✓ Leokop and
- ✓ Normandien

7.5.3 SDF IMPLEMENTATION PLAN (CAPITAL PROJECTS 2009-2013) (ANNEXURE 6-7)

To ensure the practical application and success of the spatial principles, concepts, strategies and policies of the SDF, a multifaceted implementation plan is required. The implementation of the SDF also requires the alignment of spatial strategies and infrastructure planning and budgeting. This will be done through the IDP.

The major key capital projects (62 in total) with a spatial dimension / implication, which are currently planned or underway as part of the IDP process and have a spatial impact or significance are listed below and illustrated on the attached Capital Projects Plan.

Besides the current 2009/2013 capital projects that are in operation the municipality also indicated a 3 year priority plan (2011-2013) for the implementation of proposed projects per department. These projects can be found within the draft report and are not included within the executive summary. The comprehensive SDF is attached as Annexure A.

8 FINANCIAL PLAN

This analytical review of the Treasury and Budget Office is based on the analysis of financial results as are presented in the Annual Reports of the Municipality for the last four years (2007/08, 2008/09, 2009/10 & 2010/11. The analysis is based on figures on the Annual Financial Statement that were audited by the Auditor-General.

Although the underlying qualitative factors for performance have not been analysed, and the fact that this was a mere desktop assessment; the results of this analysis are, however a strong basis for engagements into such analysis.

The following are significant results of our analysis on the Municipality's Financial Performance, Financial Position, Cash Flows & Organisation Environment (Treasury and Budget Office).

8.1 FINANCIAL PERFORMANCE

The revenue base of the Municipality has increased from R689 944 245 in 2008 to R1 182 506 661 in the financial year ended 30 June 2011. This represents phenomenal growth ranging from 23% in 2009 to 52% in 2010 and a slight decline of 8% in 2011. The last two year's increases were significantly higher than the inflation rates which is indicative of good performance by the Municipality, although there was slight decline of negative ten percent, which was caused by the reversal of impairment of investment in Uthukela Water of R363 801 328.00, in 2010 which was a mere book entry and thus not indicative of revenue actually earned. All major revenue streams showed a sharp increase of 28% in 2011 if we ignore the effect of reversal of impairment of investment in Uthukela Water, which is a comforting scenario.

Year	Total Revenue (R)	% Increase
2011	1 182 506 661	-8%
2010	1 289 670 253	52%
2009	850 774 918	23%
2008	689 944 245	

From the table below, the municipality generates more than half its total revenue base from service charges, which is 55%. The other significant sources of revenue are Property Rates 13%, and Government grants and Subsidies 27%. All other revenue sources are not considered significant and have not formed part of this analysis.

The percentage contributions of various income sources to total income have remained constant in the years other consideration save for the Property rates which used to

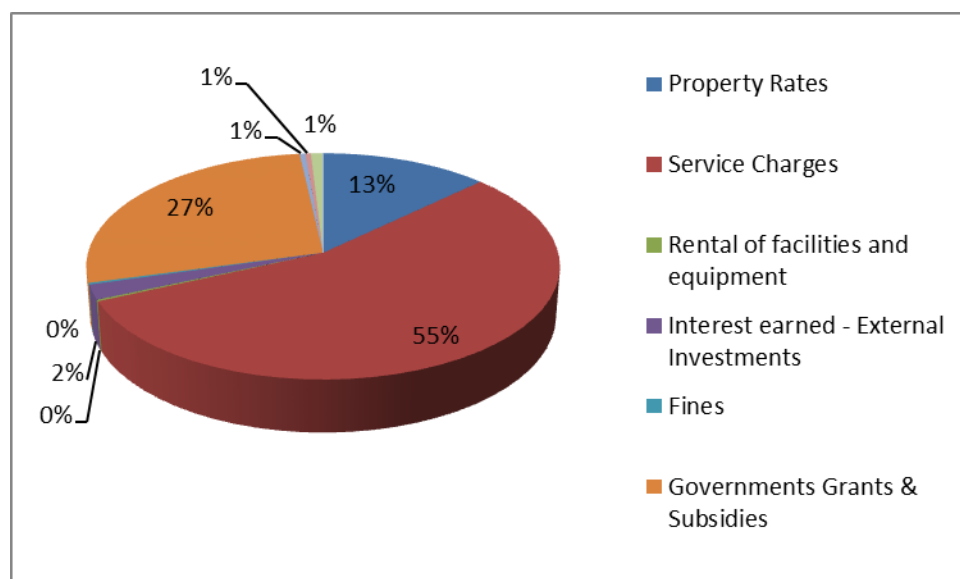
contribute 21% in 2008 and have shrunk to around 13% in 2011. The Government Grants and Subsidies on the same token have increased from 21% to 27% in 2011.

The decrease in property rates is as a result of implementation of Municipal Property Rates Act (MPRA) in 2009 which was based on the Valuation roll (values of properties) compared to the old regime rates which were skewed.

In the Analysis below, the focus is on the material revenue contributing elements in order to analyse their behaviour. In total these contributed R1 130 710 056.89 to the Municipality's R1 182 506 661.40 revenue in 2011, which represents over 96% of the Municipality's revenue base.

em	% Contribution 2011	2011 (R)
Property Rates	13%	152 386 672.14
Service Charges	55%	654 081 892.57
Rental of facilities and equipment	0%	2 652 370.77
Interest earned - External Investments	2%	25 090 778.19
Fines	0%	2 871 965.55
Governments Grants & Subsidies	27%	324 241 492.18
Revaluation Adjustment:		
Investment Properties	1%	11 041 000.00
Fair Value Adjustment	0%	5 072 475.00
Other Income	0%	5 068 015.00
Total Revenue	100%	1 182 506 661.40
Percentage Decrease		(8%)
Contributions by material revenue elements		1 130 710 056.89
%Contributions by material revenue elements		96%

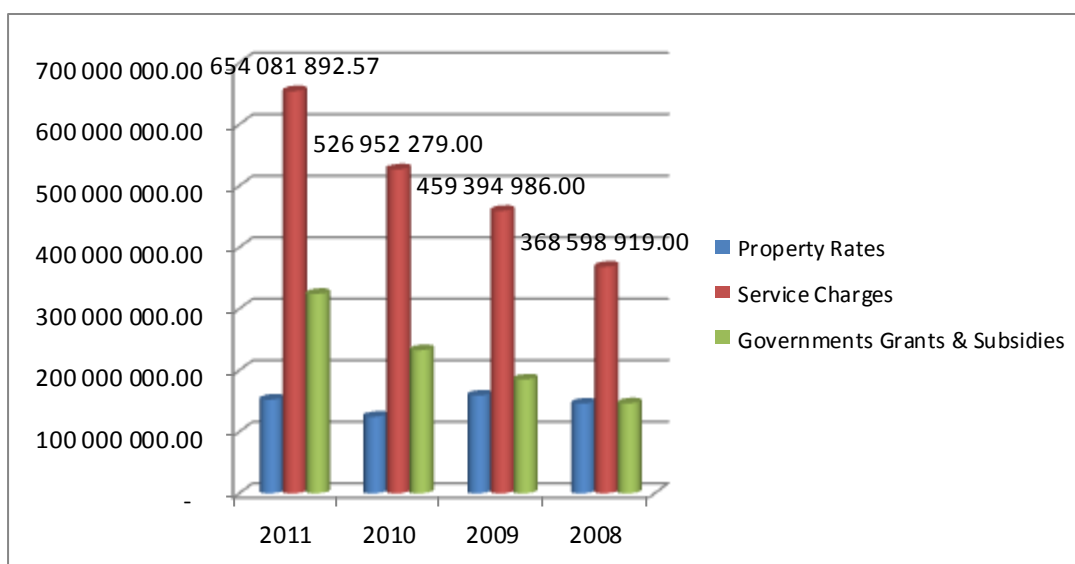
The following graph depicts a contribution of major revenues elements:



The table below reflects the movement in these revenue streams in the period under consideration. The pattern has, indeed, been erratic and therefore very little conclusions can be reached at this stage. There could very well, be cut-off or allocation issues in the presented numbers. The exercise has not, at this stage, zoomed into an in-depth analysis.

Item	Increase (Decrease)		
	2009	2010	2011
Property Rates	9%	-22%	22%
Service Charges	25%	15%	24%
Governments Grants & Subsidies	27%	26%	39%

The following is a graphical presentation of the patterns of movements of these elements.



8.1.1 EXPENDITURE

The total expenditure of the Municipality has increase well above the inflation rates, as this is evidenced from the table below. Moreover, the trends in increases of expenditure outweigh those in revenue indicating that, at face value, the Municipality has a serious challenge to curb expenses. Whereas it is understood that the sharp increase of expenditure increase is caused by the government call to improve and speed up service delivery to the poor and needy communities in the backdrop of “service delivery protests” to which the municipality has responded so well, nonetheless if these trends continue there will be a

major challenge to afford the operations of the Municipality with the revenues that it generates, unless if new revenue streams are identified and exploited.

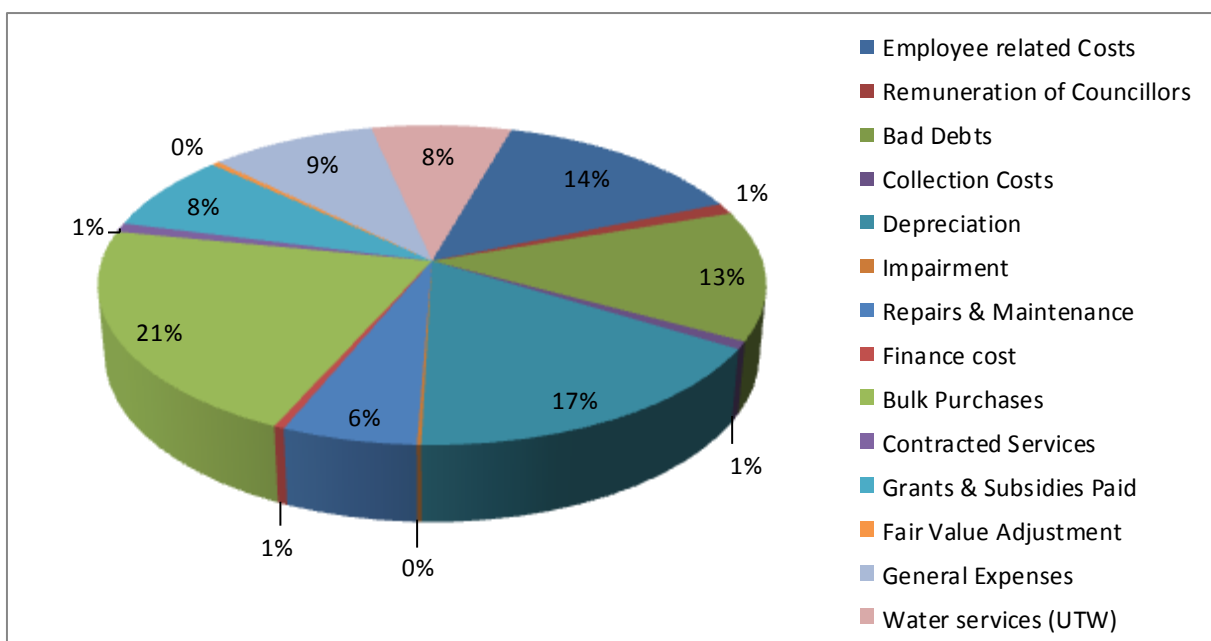
Year	Total Expenses (R)	% increase
2011	1 327 668 613	45%
2010	917 490 355	-4%
2009	937 184 278	40%
2008	681 680 815	

Below is a table of the proportionate contributions of each expenditure element to total expenses. The major expenditure drivers for the municipality are the following:

- ✓ Bulk purchases
- ✓ Employee related costs
- ✓ General expenses
- ✓ Grants and subsidies paid
- ✓ Bad debts
- ✓ Depreciation, amortisation and impairments.

Item	% Contribution 2011	2011
Employee related Costs	14%	89 471 533.74
Remuneration of Councillors	1%	14 785 603.30
Bad Debts	13%	174 136 887.81
Collection Costs	1%	10 140 071.63
Depreciation	17%	222 122 758.00
Repairs & Maintenance	6%	75 463 544.00
Finance cost	0%	5 866 997.81
Bulk Purchases	22%	283 223 432.31
Contracted Services	1%	12 229 229.00
Grants & Subsidies Paid	8%	104 889 018.28
General Expenses	9%	123 348 091.00
Water services (UTW)	8%	104 087 133.00
Fair Value Adjustment	0%	5 507 248.00
Total Expenditure	100%	1 327 668 612.88

The graph below further illustrates contribution of the major expenditure elements to total expenditure of the municipality:



The focus is on the major expense elements, i.e. employee costs, bulk purchases, General Expenses, Grant and Subsidies paid and depreciation, amortization and impairments. We, however, recommend that expenditure be considered seriously prior to posting into general expenses as by their very nature these are difficult to analyse and make informed decisions around. These expenditure items account for R1 097 191 721.14 of total expenditure of the municipality's R1 327 668 612.88, representing an 83% contribution to total expenses.

The municipality needs to be applauded because the contribution of employee related costs is 14.43% of total expenditure compared to other municipalities' country wide. This percentage is significantly lower than the prescribed threshold of 33% determined by the National Treasury. Conversely it needs to be mentioned that critical vacant positions need to be filled in order to ensure adequate service delivery. The lower employee contribution has an adverse impact in service delivery as well support function to service delivery (i.e. Treasury and Budget Office in particular) and this aspect is discussed under organisational environment.

The following table depicts movements of major expenditure drivers:

Item	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Employee related Costs	189 471 534	165 846 425	130 614 345	115 953 493
Depreciation	222 122 758	224 589 958	214 834 172	22 977 553
Bad Debts	174 136 888	69 147 301	104 227 317	85 392 914
Grants & Subsidies Paid	104 889 018	79 695 683	45 900 414	25 217 796

Item	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Bulk Purchases	283 223 432	219 348 022	166 031 719	127 538 606
General Expenses	123 348 091	61 436 986	205 021 701	206 111 095
Total Expenditure	1 091 191 721	820 064 375	866 629 668	583 191 457

As evident from the table above, Grants and Subsidies paid increased from R25 Million in 2008 to R104 Million in 2011. The upsurge in this expenditure item represents 316%. During the same period our analysis of General Expenses revealed an erratic pattern as it showed 8% decrease from 2008 to 2009, 68% decrease from 2009 to 2010 and 101% increase from 2010 to 2011. Our analysis indicates that this could be as a result of grants from both National Treasury and Provincial Government which has increased over the years sharply in recent year. The grants that the municipality have are:

- ✓ Municipal Infrastructure Grant;
- ✓ Neighbourhood Development Grant;
- ✓ Financial Management Grant;
- ✓ Systems Development and Support Grant; and
- ✓ Other Grants.

Like the revenue assessment, it appears that there could be allocation challenges that may distort the analysis. It appears that there are problems pertaining to misallocations related to General Expenses and Grants and Subsidies paid. An in-depth analysis of these expenditure items to understand their behaviour is currently being done by the finance team. Currently it appears that Grant Capital expenditure is expensed under Grants and Subsidies paid. We believe that it is an incorrect accounting treatment as there is no transfer payments made to other entities amounting to R104 Million as depicted on the table above. However, the correction of this problem and capitalization of all Grant Capital expenditure to the relevant classes of assets in the Statement of Financial Position is being undertaken.

Bad debts have increased significantly from R75 Million in 2008 to R174 Million in 2011. This scenario is disconcerting as it may have a negative impact on our liquidity position if not addressed as a matter of extreme urgency. The take is that there is a need to embark on a solution that will yield a serious debt collection drive to curb to this situation from deteriorating further. Water, sewer, waste disposal and rates in east (former townships) are a critical factor to the strategy to reduce bad debts. It is known by the leadership of the municipality that disconnection cannot be used as a tool at this stage as electricity which can be disconnected is supplied by Eskom. The East has 75% bad debts. The implementation

of water flow regulators was once discussed as one of the strategies but was not pursued until the constitutionality of such was confirmed. The avenue that should be considered is getting a licence to be the distributor of electricity in the East.

Furthermore, it needs to be mentioned that R104 Million relating to Water Services (UTW) is actually an investment by Newcastle Municipality to Uthukela Water and as such was capitalized during consolidation process.

The table below further illustrates increases in the major expenditure items:

Item	% Increase		
	2009	2010	2011
Employee related Costs	13%	27%	14%
Bad debts	22%	-34%	152%
Depreciation, amortization and impairment	835%	5%	-1%
Grants and Subsidies paid	82%	74%	32%
Bulk Purchases	30%	32%	29%
General Expenses Other	-8%	-68%	101%

8.1.2 NET OPERATIONAL PERFORMANCE

Evidently the Surpluses of the Municipality have been steadily declining from R8 Million surplus in 2008 to R145.1 Million deficit in the 2011 financial year. The primary reason in our assessment has been the pressure of expenses on the operations, coupled with incorrect accounting for assets in our records. As we alluded to earlier we still need to perform in-depth analysis of General expenses and Grants and subsidies paid expenditure elements. The extent of sustainability of revenue and the ability to increase the revenue base is, at this stage under scrutiny, thus increasing the risk of affordability of the operational expenses moving forward. An urgent understanding of these expenses and how they can best be managed is necessary to ensure that the municipality remains a financially viable. However, if our assessment is correct the situation is not as dire as it appear, also taking into account the fact that an amount of R222 Million relates to depreciation of assets, which in its very nature a book entry to achieve fair presentation in our financial statements, but not the amount actually spent.

The table below depicts our financial performance for the past four (4) years:

Year	Total Revenue	Total Expenditure	Surplus/ (Deficit)	% Increase/(Decrease)
2011	1 182 506 661	1 327 668 613	-145 161 952.00	-139%
2010	1 289 670 253	917 490 355	372 179 898.00	532%
2009	851 014 835	937 184 278	-86 169 443.00	-1143%
2008	689 944 245	681 680 815	8 263 430.00	

It is evident from the table above that there have been steady decline in the operational performance of the municipality. Although it may appear that we performed very well in 2010 as we recorded R372 Million surplus, R363.8 Million of related to the Reversal of Impairment on Uthukela Water in prior years.

8.1.3 DEFICIT

In order to elucidate the above-mentioned statement further, it is critical to note that although we sustained an operating deficit of R145.1 Million during the year under review, further analysis show that if we ignore the effect of depreciation and amortization and account correctly for Capital Grant expenditure, the results would be as follows:

Item	2011
Deficit	-145 161 951
Plus: Grants & Subsidies paid	104 889 018
Plus: Depreciation and Amortisation Expense	222 122 758
Surplus	181 849 825

However, it should be noted this analysis is not entirely accurate as the small portion of the R104 Million Grants & Subsidies paid relates operational expenditure which was correctly expensed. However, if we ignore the effect of Investment in Uthukela Water amounting to R104 Million which was capitalized during consolidation, the surplus would have been R285 Million. Although this scenario look good at face value, caution need to be exercised as revenue earned did not translate to actual cash at the bank, which is why it imperative to intensify our debt collection.

8.2 FINANCIAL POSITION

8.2.1 ASSETS

The municipality has an investment of over R2.9 Billion in assets. As evident from the table below, this investment has sharply increased in the last financial year. Although the big chunk of this increase was as a result of revaluation of assets and reversal of impairment of

Investment in Uthukela Water, it is worth mentioning that we have invested an amount of R203 Million in Infrastructure and other movable assets, which is a good indicator as it allows the municipality to have capacity to render service delivery to communities, that we serve.

It is disconcerting to note however that other debtors have increased by 1023% from 2008 to 2011, as it may have a negative impact on our liquidity position if not managed. We cannot overemphasize the need to embark on a vigorous debt recovery drive to curb the situation from deteriorating further.

The table below provides an overview of our assets trends during the past 4 years:

Item	2011	2010	2009	2008
Assets	2 993 115 025	2 595 626 608	2 131 961 638	545 555 592
Property, Plant & Equipment	1 334 588 185	1 353 243 682	1 479 963 664	211 614 969
Cash & cash equivalents	381 792 756	422 120 521	366 053 927	246 200 993
Investment Property	165 566 900	165 566 900	162 998 936	-
Intangible Asset	700 516	325 370		
Current portion of receivables	27 390 265	30 157 455	19 773 698	18 864 939
Investments in Associate	980 845 685	458 647 828		
Long-Term Receivables	3 963 941	13 681 749	25 178 710	25 930 117
Vat	16 822 449	9 685 711	-	-
Inventory	5 977 810	6 305 437	5 353 830	5 198 147
Consumer Debtors	79 841 843	112 266 674	76 082 632	47 287 923
Other Debtors	104 704 656	23 625 281	16 329 939	9 323 443

For the sake of clarity we deemed it necessary to unpack these assets as follows:

8.2.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- are expected to be used during more than one reporting period.

The municipality has significantly invested in assets which augur well for service delivery. Assets increased by 531% from 2008 to 2011. Property, Plant and Equipment represents 45% of the capital structure of the municipality.

8.2.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash invested with banks. Cash and cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality has achieved 55% increase in cash and cash equivalents, which means that we have remained liquid and thus not experiencing cash flow or financial viability problem. Cash and Cash Equivalents represent 13% of the capital structure of the municipality.

8.2.4 INVESTMENT PROPERTY

Investment property is Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- ✓ use in the production or supply of goods or services or for administrative purposes, or
- ✓ sale in the ordinary course of operations.

Investment Property represents 6% of the capital structure of the municipality. Most of Investment Property is vacant land which means the municipality has adequate potential to facilitate development, which bode well for our future revenue growth.

8.2.5 INVESTMENT IN ASSOCIATE

Investment in Associate represents our 34% stake in Uthukela Water. The investment increased from R 458 647 828 in 2010 to R 980 845 685 in 2011. This represents 114% increase which is a good indicator.

8.2.6 CONSUMER DEBTORS

Amounts billed to consumers, net of the provision for bad debts. The Municipality has provided for R 611 Million as bad debts in 2011 which may impose significant strain on our liquidity position in the future if not urgently managed.

8.2.7 OTHER DEBTORS

Amounts owed by levy-payers, financial institutions in respect of interest on investments and sundry debtors; could also include deposits made by the municipality. The R 104 Million

sitting on Other Debtors will have a negative impact on future financial viability of the Municipality if do not embark on a vigorous debt collection drive.

8.2.8 LONG TERM RECEIVABLES

Receivables that is not receivable over the next 12 months for example, housing loans and staff car loans, net of the provision for bad debts, that are not receivable over the next 12 months.

8.2.9 CURRENT PORTION OF RECEIVABLES

Amounts that will be recoverable from long-term debtors within the next 12 months.

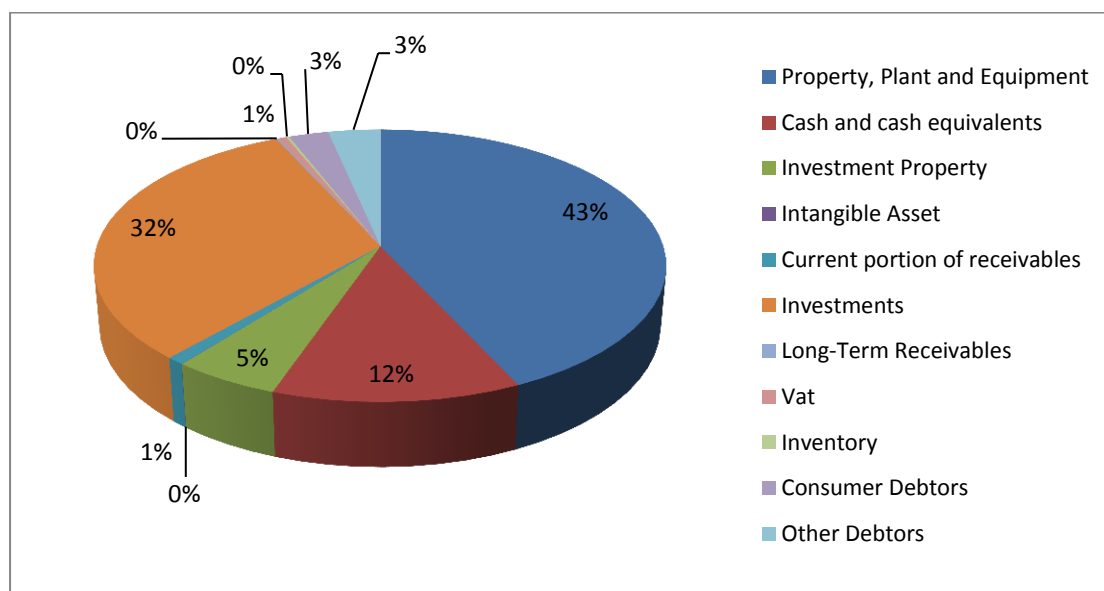
8.2.10 VAT RECEIVABLE

Net VAT recoverable from SARS. If income tax is recoverable, together with VAT, these amounts will be disclosed as “taxes” on the Statement of Financial Position.

8.2.11 INVENTORY

Consumable, net of obsolescence provision.

The Proportionate contributions to the asset base of the municipality are as follows:



This suggests that the relative importance of Call Investment Deposits, Property, Plant and Equipment, Investment Property and Consumer Debtors' bank balances and Investment in Associate.

8.3 LIABILITIES

The liabilities of the Municipality are just in excess of a R277 Million as reflected below. Clearly the Municipality is a going concern with assets in excess of liabilities even before the effects of a change in accounting policy for property, plant and equipment.

Item	2011	2010	2009	2008
Liabilities	277 195 553	350 186 853	308 260 309	267 561 254
Long-Term Liabilities	48 517 986	78 267 121	71 387 341	61 337 600
Non-current provision for landfill site	50 765 425	50 765 425	64 755 606	55 101 570
Non-current provisions: plan obligations	55 625 693	53 301 147		
Consumer Deposits	9 983 442	10 038 525	10 318 099	9 478 841
Current Provisions	906 398	2 324 506	3 360 357	4 442 006
Unspent Conditional Grants and Receipts	29 512 126	49 778 808	57 943 451	51 149 758
VAT	-	-	31 488 564	24 495 519
Current Portion of Long-Term Liabilities	9 219 495	6 689 518	6 780 397	6 142 553
Trade and other payables	72 664 988	99 021 803	62226494	55 413 407

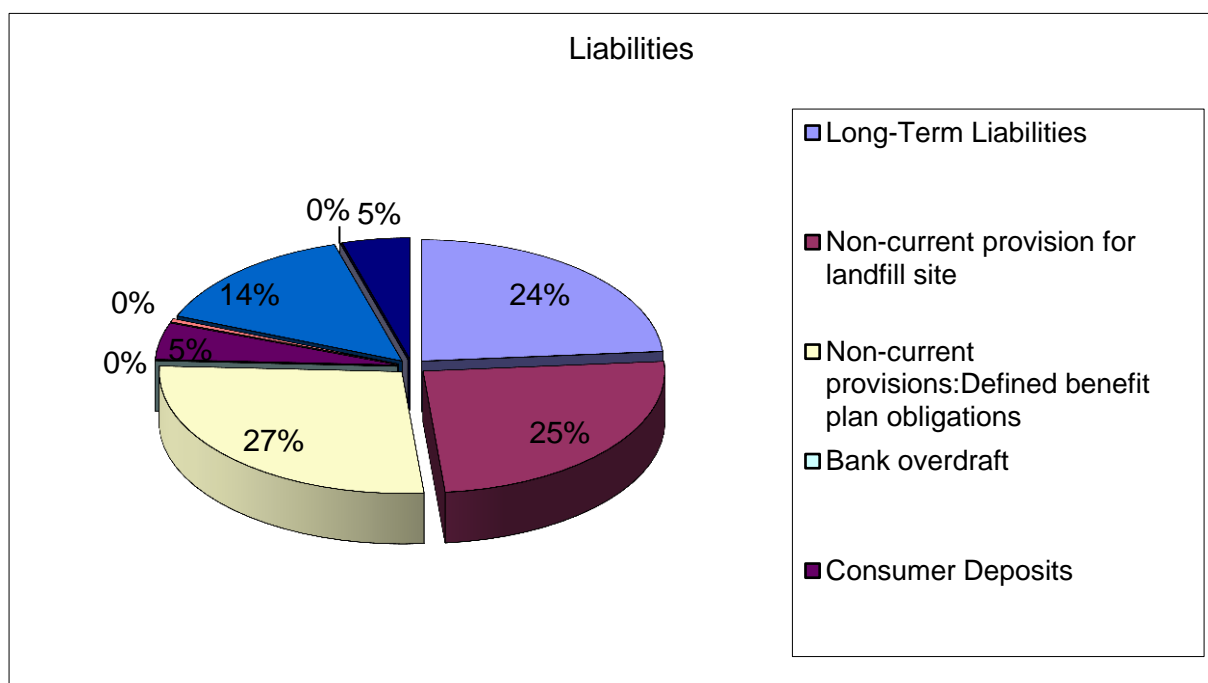
For the sake of clarity we deemed it necessary to unpack these liabilities further as follows:

- ✓ Long-Term Liabilities: These are external loans that are not repayable over the next 12 months. The Long Term Liabilities has decreased from R 61 337 600 to R48 517 986 which is 21% decrease. This means that the municipality is honouring its obligations, which is a good indicator.
- ✓ Non-Current Provision for Landfill Site: In terms of the licensing of the landfill refuse site, council will incur rehabilitation costs of R 50 765 425 million to restore the site at the end of its useful life, estimated to be in 2010 by Vuba Engineers. Provision has been made for the net present value of this cost using the average cost of borrowing interest rate. The municipality need to make a provision R 50 765 425 to rehabilitate the site.

- ✓ Consumer Deposits: Deposits held in lieu of providing municipal services on credit.
- ✓ Non-Current Provisions: Plan Obligations: The municipality provides retirement benefits for its employees and councillors. This means if the Retirement Fund should get liquidated, the municipality will be required to fulfil the obligation to retired employees and councillors.
- ✓ Unspent Conditional Grants: These are conditional grants from other spheres of government. These amounts represent the obligation of the municipality to comply with the conditions of the grant. If the municipality fails to fulfil the obligations, we will be required repay the money to the National Revenue Fund.
- ✓ Trade and other Payables: Trade creditors, staff leave accrual and payments received in advance which represent amounts invoiced or received by the Municipality where services still have to be rendered. These are obligations which the Municipality will be required to fulfil in the future.

The proportionate share of individual liabilities to total liabilities is as per the diagram below:

8.4 SOLVENCY



The entity remains solvent with total assets in excess of total liabilities. This is a comforting scenario, as the municipality continues to invest in assets. During the year under review an amount of R203 million was invested in assets. As outlined in the table below, the solvency

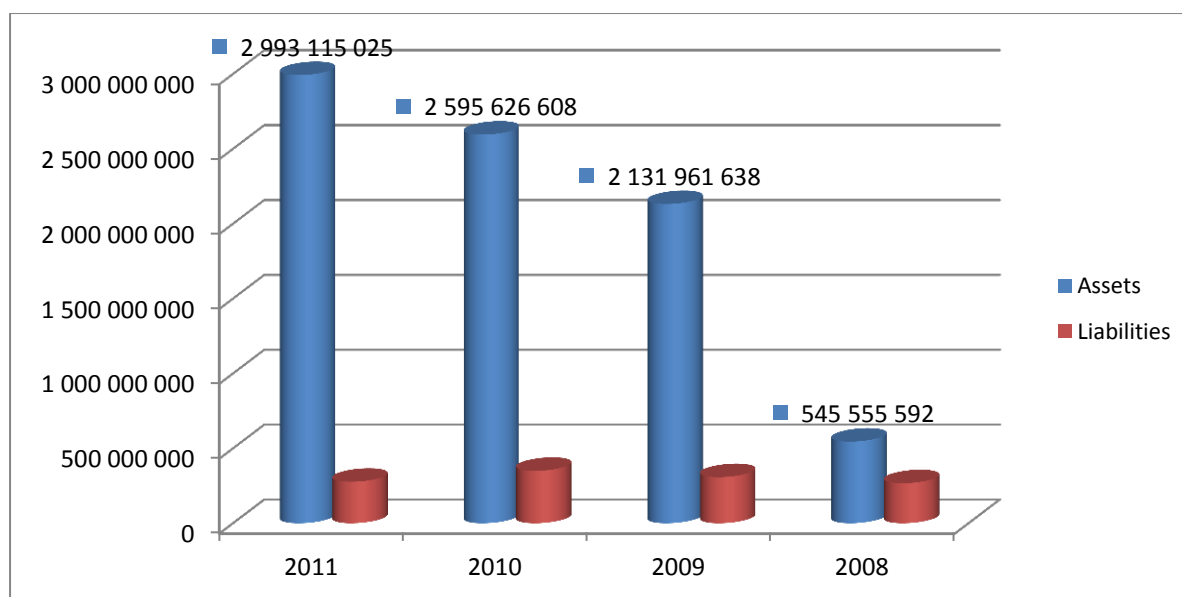
position (ratio of assets to liabilities) of the municipality has systematically improved from 2.04 in 2008 to 10.80 in 2011 which means that the municipality has healthy balance sheet, which is encouraging.

The table below illustrates our solvency situation for the 4 years being analyzed:

Solvency

Item	2011	2010	2009	2008
Assets	2 993 115 025	2 595 626 608	2 131 961 638	545 555 592
Liabilities	277 195 553	350 186 853	308 260 309	267 561 254
Net Assets	2 715 919 472	2 245 439 755	1 823 701 329	277 994 338
Ratio	10.80	7.41	6.92	2.04

The graph below illustrates our solvency ratio analysis:



Although the above scenario is comforting, our Technical Services Department is currently testing assets for impairment or put differently, undertaking condition assessment of roads infrastructure assets. One hopes that the carrying values of assets and liabilities at balance sheet dates, particularly in 2011, closely resemble the recoverable amounts as this would have dire consequences on the solvency of the organization in the future.

8.5 LIQUIDITY

As evident from the table below, the capacity of the Municipality to fulfil its short term obligations has systematically improved. As depicted on the graph below the liquidity has

moved from healthy 2.16 (ratio of current assets to current liabilities) in 2008 to even healthier 5.04 in 2011. The net result is that the Municipality can service its short term commitments, which is a good indicator.

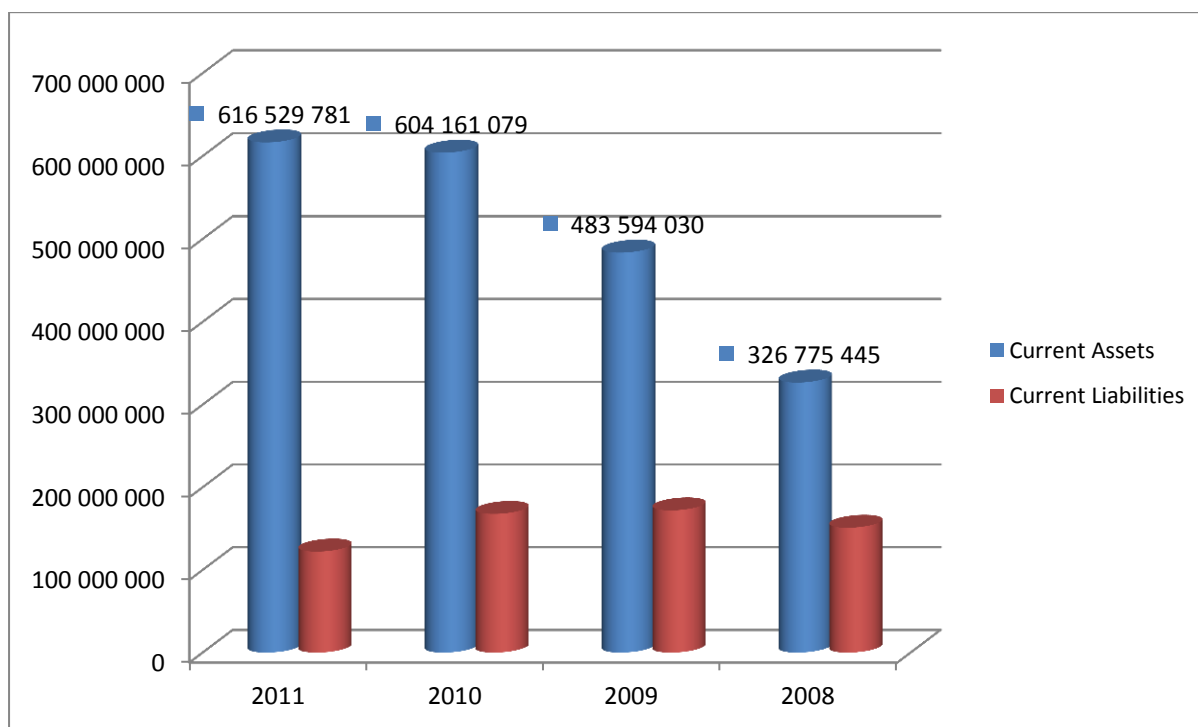
However, on analysis of the ageing of debtors as presented on the financial statements, we noted further that there is a significant debts amounting to R445 042 197 that are due for over 365 days. The general state of the ageing of debts is a cause for concern. We would place a high risk on the collection of these amounts which puts an even greater strain on the liquidity position of the municipality. Concerted efforts are necessary to augment debt collection strategies in order to ensure that the municipality remains financially viable in a long term.

The table below highlights our liquidity position for the 2008, 2009, 2010 and 2011 financial years:

Liquidity

Item	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Current Assets	616 529 781	604 161 079	483 594 030	326 775 445
Current Liabilities	122 286 449	167 853 200	172 117 362	151 122 083
Ratio	5.04	3.60	2.81	2.16

The graph below further illustrates our liquidity situation:



8.6 CASH FLOWS

The analysis below has been made from the cash flow statement presented on the annual reports for the years under scrutiny.

The table below depicts the cash flow analysis of the municipality from the past 4 year's cash flows:

Item	2011	2010	2009	2008
Net Cash from Operating Activities	654 266 273	512 953 010	138 675 844	60 230 413
Net Cash from Investing Activities	-729 108 130	-105 812 591	-167 545 409	-133 658 872
Net Cash from Financing Activities	34 514 093	6 509 327	20 099 229	24 519 601
Cash & Cash equivalents at the end of the year	381 792 757	422 120 521	366 053 927	246 100 993
Increase/(decrease)	-(0.10)	0.15	0.49	

As evident from the table above, the municipality has been enjoying positive cash flows from its operations of 55% from 2008 to 2011, save for slight decline of 10% in 2011.

From our analysis, substantial amount of cash has been utilized in the investment in property, plant and equipment, which is a good indicator. The financing situation for the Municipality has been positive.

8.7 GRAP/GAMAP

National Treasury issued a circular requiring all municipalities across the country to be fully compliant with GRAP/GAMAP accounting standards by 2010,

There is a general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements. This culminates in:

- ✓ An inability to account for financial accounts in line with GRAP/GAMAP accounting standards,
- ✓ Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP,
- ✓ Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements,
- ✓ Financial systems not geared towards GRAP/GAMAP requirements.

8.8 CHALLENGES

The following challenges in financial administration, management and reporting within municipalities have been identified:

8.8.1 LACK OF FINANCIAL DISCIPLINE

Lack of systems of internal controls to manage assets evidenced by:

- ✓ Asset registers not updated when acquisitions, impairments or disposals are made;
- ✓ Reconciliations of the asset register to the general ledger not performed;
- ✓ Regular verifications of assets to ascertain existence and condition not in place.

A lack of these processes contribute to delays in the submission of financial statements due to difficulties encountered in reconciling general ledger / trial balance to corresponding supporting schedules. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.

Inadequate revenue collection systems within municipalities evidenced by:

- ✓ Low recovery of amounts owed for municipal services from consumer debtors;
- ✓ Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts,
- ✓ Lack of advice to the council on revenue enhancement mechanisms.
- ✓ Extraordinarily large provisions for doubtful debts being posted on the Annual Financial Statements.
- ✓ Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- ✓ Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- ✓ Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- ✓ Issues raised by the Office of the Auditor General not followed up and cleared on time.
- ✓

✓

8.8.2 SKILLS

Section 83 of the MFMA prescribes that the accounting officer, senior managers, the Chief Financial Officer and other financial officials of a municipality must meet the prescribed financial management competency levels. The following skills are critical for finance staff:

- ✓ Knowledge of generally recognised accounting practise at transaction level (i.e. inability to account for financial accounts correctly through basic principle of debit and credit),
- ✓ Understanding of the importance of month end closure,
- ✓ Understanding of reconciliations and their purpose,
- ✓ Adequate supervision of staff activities,
- ✓ Ability to present meaningful monthly management reports and provide sound advice to the council,
- ✓ Ability to prepare annual financial statements in accordance with applicable generally recognised accounting standards.

8.9 GENERAL

Due to inadequacy of the current structure there is a high risk of errors and fraud and corruption due to lack of segregation of incompatible duties, particularly in Supply Chain Management. The current structure has compromised financial reporting and provision of statistical information to stakeholders.

An expectation that at the levels in terms of the current structure the finance staff would possess the requisite skills in financial management is potentially a fallacy as there is a country – wide cry for the shortage of such skills. It is probably a foregone conclusion that the attraction of these skills would be in environments most conducive for luxurious lifestyles. These skills are, as such, attracted to the private sector and to urban environments, thus compromising the public service and, in particular, rural municipalities. Without disrespect, with the current structure it unlikely that the municipality can attract the “cream of the crop”. Unless this fact is accepted as a reality of our public administration, coherent strategies to effect meaningful administration and, indeed this proposition, will never be accepted and implemented.

9 SECTOR PLANS

Ref.	Activity/ Item Description	MEC Evaluation Report Findings	Levels of Execution		*LM Responsibility over Period				Comments
			*LM	*DM	2009/10	2010/11	2011/12	2012/13	
1.	Disaster Management Plan/ Contingency Plan	None	✓	✓	✓	✓	✓		District Municipality is implementing through shared Services but Newcastle has its own Disaster Contingency Plan in place.
2.	HIV/AIDS Action Plan	None	✓	✓	✓	✓	✓		Complete: - Special Programs are being implemented though SukumaSakhe Provincial Program
3.	Institutional Plan	None	✓		✓	✓	✓	✓	Completed but awaiting approval by Council
4.	Performance Management System (PMS)	None	✓		✓	✓	✓	✓	It's being implemented with Section 57, but rollout is underway
5.	Skills Development Plan	None	✓		✓	✓	✓	✓	Approved by EXCO and is under implementation.
6.	Financial Management Plan	Identified as the Shortcoming	✓		✓	✓	✓	✓	Fully-fledged Financial Plan to be developed next financial year.
7.	Capital Investment Programme/ Framework (CIP)	Identified as Shortcoming	✓		✓	✓	✓	✓	One Year Capital Program incorporated into the IDP but the Municipality on the process of developing a three to five year capital investment program
8.	Integrated Environmental Programme	Identified as Shortcoming	✓		✓	✓	✓		Being developed and to be completed next financial year.
9.	Local Economic Development (LED)	None	✓		✓	✓	✓		Being reviewed, and to be completed in September 2012.
10.	Poverty Relief / Alleviation Programme	None	✓		✓	✓	✓		Under review
11.	Revenue Enhancement Strategy	None	✓		✓	✓	✓		Review underway, very critical for the LM
12.	Housing Strategy	None				✓	✓	✓	Under review, and to be completed next financial year
13.	Water Services Development Plan (WSDP)	None	✓	✓	✓	✓	✓	✓	WSDP available, but to be reviewed to meet the needs requirements.
15.	Waste Management Plan	None	✓	✓			✓	✓	Under review to identify new landfill sites.
16.	Roads and Storm water Master Plan	None	✓				✓	✓	To be developed next financial year.
17.	Transportation Plan	None	✓	✓		✓	✓		Developed by the District. Newcastle has developed the Urban Transportation Plan
18.	Electrification Plan	None	✓	✓			✓	✓	Available with the DC. But Newcastle to develop its own plan
19.	Tourism and Marketing Plan	None	✓	✓			✓	✓	Development underway.
20.	Land Use Management Plan	None	✓		✓	✓	✓	✓	Available and being rollout to townships.
21.	Spatial Development Framework	Identified as good	✓		✓	✓	✓	✓	Review underway.
22.	Gender Employment Equity Plan	Identified as shortcoming	✓		✓	✓	✓	✓	Approved by EXCO and implementation underway.

Ref.	Activity/ Item Description	MEC Evaluation Report Findings	Levels of Execution		*LM Responsibility over Period				Comments
			*LM	*DM	2009/10	2010/11	2011/12	2012/13	
23.	Communication Strategy	Identified as shortcoming	✓		✓	✓	✓	✓	To be developed next financial year
24.	IT Communications Policy	Identified as shortcoming	✓			✓	✓	✓	Approved by EXCO and implementation underway
25.	IT Policy and Asset Management Policy	Identified as shortcoming	✓			✓	✓	✓	Approved by EXCO and implementation underway
26.	Fraud and Corruption Prevention Strategy	Identified as shortcoming	✓				✓	✓	Approved and implementation underway, very critical for the LM
27.	Cemetery Plan	Identified as shortcoming	✓				✓	✓	Investigation on identification of suitable sites underway and to be completed in September 2012